

**TOWNSHIP OF BERKELEY HEIGHTS
COUNTY OF UNION
NEW JERSEY**

**REPORT ON
EXAMINATION OF ACCOUNTS
FOR THE YEAR 2012**

**SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

TOWNSHIP OF BERKELEY HEIGHTS
COUNTY OF UNION, NEW JERSEY

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PART I
REPORT ON EXAMINATION
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
AND
SUPPLEMENTARY EXHIBITS
YEAR ENDED DECEMBER 31, 2012

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Township Council
Township of Berkeley Heights
Berkeley Heights, New Jersey 07922

Report on the Financial Statements

We have audited the financial statements - regulatory basis of the various funds and account groups of the Township of Berkeley Heights in the County of Union, as of and for the year then ended December 31, 2012 and the related notes to the financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "*Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles*" paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012, and the results of its operations for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements - regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Berkeley Heights at December 31, 2012, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended, in accordance with accounting principles on the basis of financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1.

Other Matter

The financial statements of Township of Berkeley Heights for the year ending December 31, 2011 were audited by other auditors whose opinion dated June 27, 2012 on those statements was qualified because of the departure from generally accepted accounting principles.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the accompanying financial statements.

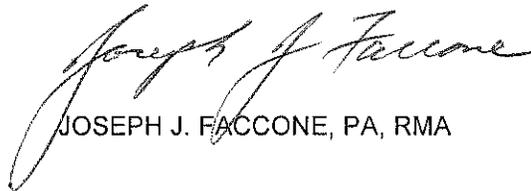
The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013 on our consideration of the Township of Berkeley Heights's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Berkeley Heights's internal control over financial reporting and compliance.



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



JOSEPH J. FACCONI, PA, RMA

Newark, New Jersey
June 7, 2013

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

A
Sheet #1

<u>ASSETS</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Regular Fund</u>			
Cash - Treasurer	A-4	\$ 3,207,019.15	\$ 4,701,717.82
Cash - Change Fund	A-8	400.00	400.00
Due to State of New Jersey Per Chapter 20, P.L. 1971 - Senior Citizens' Deductions	A-10	15,591.76	16,667.78
		<u>3,223,010.91</u>	<u>4,718,785.60</u>
Receivables and Other Assets with Full Reserves:			
Tax Title Liens Receivable	A-6	51,508.17	44,986.70
Sewer User Charges Receivable	A-18	32,299.67	65,986.37
Delinquent Property Taxes Receivable	A-11	952,442.98	671,098.51
Revenue Accounts Receivable	A-12	8,104.58	13,787.41
Interfunds Receivable	A-22	230,841.10	6,642.90
		<u>1,275,196.50</u>	<u>802,501.89</u>
Deferred Charges:			
Overexpenditure of Appropriation	A-26	7,938.90	
		<u>4,506,146.31</u>	<u>5,521,287.49</u>
<u>Grant Fund</u>			
Interfunds Receivable	A-19	297,317.47	315,138.99
Grants Receivable	A-23	315,583.66	224,307.00
		<u>612,901.13</u>	<u>539,445.99</u>
		<u>\$ 5,119,047.44</u>	<u>\$ 6,060,733.48</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

A
Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Regular Fund</u>			
Appropriation Reserves:			
Unencumbered	A-3,13	\$ 580,988.07	\$ 795,383.16
Encumbered	A-3,13	557,300.23	429,191.38
Accounts Payable - Current Fund	A-5	24,954.35	
Sewer Overpayments	A-7	13,461.13	
Prepaid Taxes	A-16	281,814.74	366,638.73
Tax Overpayments	A-17	4,390.73	8,235.10
Reserve for Various Deposits	A-25	6,867.00	8,330.78
Sale of Assets	A-24		10,000.00
County Tax Payable	A-20	19,123.54	23,594.14
School Tax Payable	A-21	1.00	
Interfunds Payable	A-22	386,403.53	1,643,790.33
		<u>1,875,304.32</u>	<u>3,285,163.62</u>
Reserve for Receivables		1,275,196.50	802,501.89
Fund Balance	A-1	1,355,645.49	1,433,621.98
		<u>4,506,146.31</u>	<u>5,521,287.49</u>
<u>Grant Fund</u>			
Reserve for Grants - Unappropriated	A-14	11,764.91	45,384.74
Reserve for Grants - Appropriated	A-15	601,136.22	494,061.25
		<u>612,901.13</u>	<u>539,445.99</u>
		<u>\$ 5,119,047.44</u>	<u>\$ 6,060,733.48</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS

A-1

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 700,000.00	\$ 700,000.00
Miscellaneous Revenue Anticipated	A-2	4,077,037.83	4,059,203.68
Receipts from Delinquent Taxes	A-2	646,434.91	595,325.32
Receipts from Current Taxes	A-2a	63,264,642.64	63,190,908.36
Nonbudget Revenue	A-2a	505,314.36	219,219.86
Other Credits to Income:			
Cancel Reserve for Various Deposits			5,794.45
interfunds Returned			12,914.72
Unexpended Balance of Appropriation Reserves	A-13	364,416.61	429,514.21
Total Income		<u>69,557,846.35</u>	<u>69,212,880.60</u>
 <u>Expenditures</u>			
Budget and Emergency Appropriations (Within "CAPS"):			
Operations (Including Contingent)		11,305,231.00	11,008,802.42
Deferred Charges and Statutory Expenditures -			
Municipal		1,495,697.77	1,658,123.43
Budget (Excluded from "CAPS"):			
Operations		1,641,934.21	1,582,708.10
Capital Improvements		95,000.00	5,000.00
Municipal Debt Service		1,751,951.37	1,452,357.68
	A-3	<u>16,289,814.35</u>	<u>15,706,991.63</u>
County Taxes	A-20	14,933,303.33	14,603,528.71
Added and Omitted County Taxes	A-20	19,123.96	23,594.56
Local District School Taxes	A-21	37,469,383.00	37,606,723.00
Interfunds Advanced	A-22	224,198.20	
Total Expenditures		<u>68,935,822.84</u>	<u>67,940,837.90</u>
Excess in Revenue		622,023.51	1,272,042.70
 <u>Fund Balance</u>			
Balance January 1	A	<u>1,433,621.98</u>	<u>861,579.28</u>
		2,055,645.49	2,133,621.98
Decreased by:			
Utilized as Anticipated Revenue	A-1,2	<u>700,000.00</u>	<u>700,000.00</u>
Balance December 31	A	<u>\$ 1,355,645.49</u>	<u>\$ 1,433,621.98</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF REVENUE - REGULATORY BASIS

A-2

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Special N.J.S. 40A:4-87		
Fund Balance Anticipated	A-1	\$ 700,000.00	\$	\$ 700,000.00	\$
Miscellaneous Revenues:					
Fees and Permits	A-2a	332,000.00		273,565.45	(58,434.55)
Licenses:					
Alcoholic Beverages	A-12	13,900.00		16,684.40	2,784.40
Other	A-12	2,500.00		2,602.00	302.00
Fines and Costs:					
Municipal Court	A-12	141,776.00		133,162.97	(8,613.03)
Construction Code Official	A-12	328,000.00		486,529.00	158,529.00
Cable TV Franchise Fee	A-12	160,000.00		171,310.80	11,310.80
Capital Surplus	A-12	81,700.77		81,700.77	
Consolidated Municipal Property Tax Relief Aid	A-12	223,802.00		223,802.00	
Energy Receipts Tax	A-12	1,316,789.00		1,316,789.00	
Interest and Costs on Taxes	A-12	140,000.00		157,026.85	17,026.85
Interest on Investments and Deposits	A-12	12,000.00		5,152.40	(6,847.60)
Library Reimbursement of Costs	A-12	220,000.00		220,000.00	
Rents of Township Property	A-12	240,000.00		275,576.84	35,576.84
Uniform Fire Safety Act	A-12	25,000.00		15,150.84	(9,849.16)
Sewer User Charges	A-18	273,023.00		258,385.76	(16,637.24)
Sale of Municipal Assets	A-24	10,000.00		10,000.00	
Assessment Trust Fund Surplus	A-12	8,652.56		8,637.10	(15.46)
Reserve for Payment of Debt Service	A-12	208,276.44		208,276.44	
Reserve for Infrastructure Improvement	A-12	25,000.00		25,000.00	
Due from Recreation Trust Fund	A-19		859.00	859.00	
Municipal Storm Water	A-23	2,552.00		2,552.00	
Environmental Commission	A-23	250.00		250.00	
CDBG - Senior Citizen Center Program	A-23		6,600.00	6,600.00	
CDBG - Senior Citizen Transportation Program	A-23		7,600.00	7,600.00	
COPS Secure Our Schools Grant	A-23		76,510.00	76,510.00	
Clean Communities	A-23	666.92	20,230.87	20,897.79	
Recycling Tonnage Grant	A-23	33,313.18		33,313.18	
Alcohol Education and Rehabilitation	A-23	1,564.11	1,403.04	2,967.15	
Body Armor Grant	A-23		2,601.58	2,601.58	
Drive Sober or Get Pulled Over	A-23		4,400.00	4,400.00	
Drunk Driving Enforcement Fund	A-23		13,301.98	13,301.98	
Greening Union County - Kids	A-23	7,038.53		7,038.53	
Municipal Alliance	A-23		10,594.00	10,594.00	
	A-1	<u>3,807,804.51</u>	<u>144,100.47</u>	<u>4,077,037.83</u>	<u>125,132.85</u>
Receipts from Delinquent Taxes	A-1	<u>558,500.00</u>		<u>646,434.91</u>	<u>87,934.91</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Budget	A-11	10,759,341.00		10,522,715.35	(236,625.65)
Minimum Library Tax	A-11	<u>1,108,117.00</u>		<u>1,108,117.00</u>	
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2a	<u>11,867,458.00</u>		<u>11,630,832.35</u>	<u>(236,625.65)</u>
Total Budget Revenue		<u>16,933,762.51</u>	<u>144,100.47</u>	<u>17,054,305.09</u>	<u>(23,557.89)</u>
Nonbudget Revenue	A-2a			<u>505,314.36</u>	<u>505,314.36</u>
		<u>\$ 16,933,762.51</u>	<u>\$ 144,100.47</u>	<u>\$ 17,559,619.45</u>	<u>\$ 481,756.47</u>
	Reference	A-3	A-3		

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF REVENUE (Continued)
ANALYSIS OF REALIZED REVENUE - REGULATORY BASIS

A-2a

	<u>Ref.</u>	
<u>Allocation of Current Tax Collections</u>		
Collected on a Cash Basis	A-1,11	\$ 63,264,642.64
Allocated to:		
School and County Taxes		<u>52,421,810.29</u>
Balance for Support of Municipal Budget Appropriations		10,842,832.35
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>788,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 11,630,832.35</u>
<u>Fees and Permits:</u>		
Clerk	A-12	\$ 140,492.94
Police Department	A-12	274.00
Engineering/Planning Board	A-12	107,443.51
Board of Health	A-12	<u>25,605.00</u>
		273,815.45
Less: Refunds	A-4	<u>250.00</u>
	A-2	<u>\$ 273,565.45</u>
<u>Analysis of Nonbudget Budget</u>		
<u>Miscellaneous Revenue Not Anticipated:</u>		
<u>Treasurer:</u>		
Senior Citizens - Administration Fee		\$ 2,346.95
Police Outside Overtime Administrative Fees		6,757.50
Prior Year Budget Refund		71,753.99
Insurance Coverage		12,952.42
Fire FEMA		82,249.21
Miscellaneous		<u>329,254.29</u>
	A-1,2,4	<u>\$ 505,314.36</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #1

<u>Appropriation</u>	<u>Appropriations</u>			<u>Paid or Charged</u>	<u>Reserved</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Modified Budget</u>	<u>\$</u>		<u>Encumbered</u>	<u>Unencumbered</u>	
APPROPRIATIONS WITHIN "CAPS"							
GENERAL GOVERNMENT							
Administrative and Executive:							
Salaries and Wages	\$ 167,416.00	\$ 169,516.00	\$	169,449.99	\$	\$ 66.01	\$
Other Expenses	32,895.00	24,820.00		18,552.44	1,427.69	4,839.87	
Mayor and Council:							
Salaries and Wages	4,000.00	4,000.00		4,000.00			
Other Expenses	475.00	550.00		550.00			
Township Council:							
Salaries and Wages	21,000.00	21,000.00		21,000.00	300.00	1,145.13	
Other Expenses	2,025.00	2,025.00		579.87			
Municipal Clerk:							
Salaries and Wages	94,287.00	86,927.00		86,228.80	8,492.44	698.20	
Other Expenses	54,500.00	44,500.00		34,434.79		1,572.77	
Financial Administration:							
Salaries and Wages	114,348.00	96,338.00		94,271.38	359.16	2,066.62	
Other Expenses	45,650.00	47,150.00		46,502.03		288.81	
Annual Audit	52,000.00	56,000.00		56,000.00			
Tax Collection:							
Salaries and Wages	58,449.00	59,449.00		59,431.47	17.53	2,272.50	
Other Expenses	7,280.00	5,280.00		2,895.50	112.00		
Municipal Prosecutor:							
Salaries and Wages	15,524.00	15,529.00		15,524.86		4.14	
Assessment of Taxes:							
Salaries and Wages	81,077.00	81,082.00		81,077.10		4.90	
Other Expenses	40,855.00	12,855.00		7,620.34		5,234.66	
Legal Services and Costs:							
Other Expenses	100,000.00	135,000.00		120,060.95	4,718.20	10,220.85	
Municipal Court:							
Salaries and Wages	86,343.00	91,343.00		91,216.90		126.10	
Other Expenses	37,660.00	32,660.00		28,714.61	495.29	3,450.10	
Engineering Services and Costs:							
Salaries and Wages	159,247.00	184,247.00		182,996.77		1,250.23	
Other Expenses	37,824.00	25,824.00		13,905.35	6,827.00	5,091.65	
Public Defender:							
Salaries and Wages	5,000.00	5,750.00		5,684.28		65.72	

TOWNSHIP OF BERKELEY OF HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #2

<u>Appropriation</u>	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Reserved</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Modified Budget</u>		<u>Encumbered</u>	<u>Unencumbered</u>	
APPROPRIATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Planning Board:						
Other Expenses	\$ 8,900.00	\$ 3,900.00	\$ 1,712.20	\$ 48.98	\$ 2,138.82	\$
Zoning Board of Adjustments:						
Salaries and Wages	2,000.00	2,000.00	2,000.00			
Other Expenses	10,000.00	6,000.00	4,805.43	1,180.10	14.47	
Affordable Housing:						
Other Expenses	3,800.00	3,800.00	2,941.89	318.00	540.11	
Insurance:						
General Liability	330,000.00	330,000.00	305,730.16	10,411.79	13,858.05	
Worker's Compensation	1,971,368.00	1,971,368.00	1,756,560.10	166,071.51	48,736.39	
Group Health	220,000.00	220,000.00	218,359.00		1,641.00	
	<u>3,763,923.00</u>	<u>3,738,913.00</u>	<u>3,432,806.21</u>	<u>200,762.16</u>	<u>105,344.63</u>	
PUBLIC SAFETY						
Fire Prevention:						
Fire Official:						
Salaries and Wages	26,000.00	28,000.00	26,984.63		1,015.37	
Fire:						
Salaries and Wages	2,000.00	3,500.00	2,022.97		1,477.03	
Other Expenses	117,460.00	117,460.00	102,025.47	14,483.38	951.15	
Fire Hydrant Services	186,000.00	186,000.00	172,955.32	10.40	13,034.28	
Police:						
Salaries and Wages	3,063,990.00	3,063,990.00	3,049,021.37		14,968.63	
Other Expenses	134,065.00	134,065.00	105,163.91	13,124.01	15,777.08	
Traffic Control Schools:						
Salaries and Wages	160,000.00	128,000.00	126,906.60		1,093.40	
Other Expenses	7,700.00	7,700.00	2,051.90	2,243.50	3,404.60	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #3

<u>Appropriation</u>	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Reserved</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Modified Budget</u>		<u>Encumbered</u>	<u>Unencumbered</u>	
APPROPRIATIONS WITHIN "CAPS"						
PUBLIC SAFETY						
Emergency Management:						
Salaries and Wages	\$ 5,000.00	\$ 5,000.00	\$ 4,999.80	\$ 0.20	\$ 0.20	\$
Other Expenses	1,500.00	1,500.00	796.76		703.24	
Snow Removal:						
Other Expenses	89,000.00	89,000.00	48,232.98	14,539.95	26,227.07	
	<u>3,792,715.00</u>	<u>3,764,215.00</u>	<u>3,641,161.71</u>	<u>44,401.24</u>	<u>78,652.05</u>	
PUBLIC WORKS						
Road Repairs and Maintenance:						
Salaries and Wages	480,969.00	561,144.00	561,133.89		10.11	
Other Expenses	53,300.00	128,300.00	87,116.80	27,439.96	13,743.24	
Sanitation:						
Solid Waste Transportation:						
Other	240,000.00	252,000.00	219,820.32	30,233.77	1,945.91	
Maintenance of Sewer Plant:						
Salaries and Wages	425,808.00	413,808.00	400,930.54		12,877.46	
Other Expenses	411,639.00	451,639.00	343,096.13	104,242.61	4,300.26	
Public Buildings and Grounds:						
Salaries and Wages	72,036.00	72,041.00	72,036.38		4.62	
Other Expenses	27,500.00	33,575.00	32,655.71	905.30	13.99	
Maintenance of Vehicles:						
Salaries and Wages	116,695.00	116,700.00	116,695.54		4.46	
Other Expenses	155,000.00	157,500.00	140,035.73	17,377.80	86.47	
	<u>1,982,947.00</u>	<u>2,186,707.00</u>	<u>1,973,521.04</u>	<u>180,199.44</u>	<u>32,986.52</u>	
HEALTH AND WELFARE						
Public Health Services:						
Other Expenses	70,000.00	70,000.00	34,029.85	34,637.50	1,332.65	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #4

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
APPROPRIATIONS WITHIN "CAPS"						
HEALTH AND WELFARE						
Animal Control:						
Other Expenses	\$ 20,000.00	\$ 20,000.00	\$ 1,897.30	\$ 3,102.70	\$ 15,000.00	\$
Environmental Commission:						
Other Expenses	1,070.00	1,070.00	570.40	283.67	215.93	
Welfare Administration:						
Salaries and Wages	4,000.00	4,000.00	3,000.00	5.00	995.00	
Community on Cable	23,250.00	23,250.00	8,220.00	2,905.00	12,125.00	
	<u>118,320.00</u>	<u>118,320.00</u>	<u>47,717.55</u>	<u>40,933.87</u>	<u>29,668.58</u>	
RECREATION AND EDUCATION						
Board of Recreation Commissioners:						
Salaries and Wages	245,876.00	241,876.00	233,169.69	1,095.30	8,706.31	
Other Expenses	38,000.00	38,000.00	36,413.90	1,095.30	490.80	
	<u>283,876.00</u>	<u>279,876.00</u>	<u>269,583.59</u>	<u>1,095.30</u>	<u>9,197.11</u>	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES						
Construction Code Officials:						
Salaries and Wages	230,700.00	204,700.00	200,087.42	29,128.24	4,612.58	
Other Expenses	50,750.00	50,750.00	21,334.90	29,128.24	286.86	
	<u>281,450.00</u>	<u>255,450.00</u>	<u>221,422.32</u>	<u>29,128.24</u>	<u>4,899.44</u>	
UNCLASSIFIED						
Utilities:						
Telephone	110,000.00	110,000.00	92,336.95	13,109.77	4,553.28	
Street Lighting	160,000.00	153,250.00	132,196.59	41.13	21,012.28	
Salary Adjustment	25,000.00					
Postage	18,000.00	18,000.00	9,005.30	1,000.00	7,994.70	
Electricity	390,000.00	315,500.00	240,546.08	2,793.66	72,160.26	
Water	24,000.00	24,000.00	20,721.19	1,509.13	1,769.68	
Gasoline	200,000.00	200,000.00	174,905.23	12,915.16	12,179.61	
Gas (Natural or Propane)	135,000.00	121,000.00	72,020.18	5,392.05	43,587.77	
Condominium Service Law	20,000.00	20,000.00		18,624.04	1,375.96	
	<u>1,082,000.00</u>	<u>961,750.00</u>	<u>741,731.52</u>	<u>55,384.94</u>	<u>164,633.54</u>	
Total Operations	11,305,231.00	11,305,231.00	10,327,943.94	551,905.19	425,381.87	

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #5

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
APPROPRIATIONS WITHIN "CAPS"						
DEFERRED CHARGES AND STATUTORY EXPENDITURES						
Contributions to:						
Public Employees' Retirement System	\$ 371,633.00	\$ 371,633.00	\$ 369,969.00	\$ 1,664.00	\$	
Social Security	480,000.00	480,000.00	455,910.91	24,089.09		
Police and Firemen's Retirement System	622,085.00	622,085.00	622,085.00			
Unemployment Compensation Insurance	20,000.00	20,000.00	20,000.00			
Deferred Charges:						
Public Defender Overexpenditure - Trust	1,776.00	1,776.00	1,776.00			
Capital Improvement Ordinance	203.77	203.77	203.77			
	<u>1,495,697.77</u>	<u>1,495,697.77</u>	<u>1,469,944.68</u>		<u>25,753.09</u>	
Total Appropriations Within "CAPS"	12,800,928.77	12,800,928.77	11,787,888.62	551,905.19	451,134.96	
APPROPRIATIONS EXCLUDED FROM "CAPS"						
OTHER OPERATIONS						
Maintenance of Free Public Library:						
Salaries and Wages	500,000.00	500,000.00	488,517.24		11,482.76	
Other Expenses	608,117.00	608,117.00	528,476.00		79,641.00	
Planning Board (P.L. 1985, Ch. 222):						
Other Sewer	150,000.00	150,000.00	146,400.56		3,599.44	
Group Insurance for Employees	104,332.00	104,332.00	104,332.00			
Reserves for Tax Appeals	90,000.00	90,000.00	49,475.05		35,129.91	
	<u>1,452,449.00</u>	<u>1,452,449.00</u>	<u>1,317,200.85</u>		<u>5,395.04</u>	<u>129,853.11</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Clean Community Grant	666.92	666.92	666.92			
Alcohol Education and Rehabilitation	1,564.11	1,564.11	1,564.11			
Greening Union County	1,403.04	1,403.04	1,403.04			
Recycling Tonnage Aid	33,313.18	33,313.18	33,313.18			
Environmental Commission - Donation	250.00	250.00	250.00			
Municipal Storm Water	2,552.00	2,552.00	2,552.00			
Municipal Alliance	10,594.00	10,594.00	10,594.00			
Municipal Alliance - Local Match	859.00	859.00	859.00			

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #6

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
APPROPRIATIONS EXCLUDED FROM "CAPS"						
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Clean Community Grant	\$ 7,038.53	\$ 20,230.87	\$ 20,230.87	\$	\$	
Greening Union County		7,038.53	7,038.53			
CDBG Senior Citizen Transportation Program		6,600.00	6,600.00			
CDBG Senior Citizen		7,600.00	7,600.00			
Drive Sober or Get Pulled Over		4,400.00	4,400.00			
COPS Secure Our School		76,510.00	76,510.00			
Drunk Driving Enforcement Fund		13,301.98	13,301.98			
Body Armor Replacement Fund		2,601.58	2,601.58			
	<u>45,384.74</u>	<u>189,485.21</u>	<u>189,485.21</u>			
Total Operations	<u>1,497,833.74</u>	<u>1,641,934.21</u>	<u>1,506,686.06</u>	<u>5,395.04</u>	<u>129,853.11</u>	
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	95,000.00	95,000.00	95,000.00			
DEBT SERVICE						
Payment of Bond Principals	625,000.00	625,000.00	625,000.00			
Interest on Bonds	288,330.00	288,330.00	288,330.00			
Payment of Bond Anticipation Notes and Capital Notes	233,400.00	233,400.00	233,400.00			
N.J. Environmental Infrastructure Trust:						
Principal and Interest	587,765.00	587,765.00	587,765.00			48.63
Interest on Notes	17,505.00	17,505.00	17,456.37			48.63
	<u>1,752,000.00</u>	<u>1,752,000.00</u>	<u>1,751,951.37</u>			
Total Appropriations Excluded from "CAPS"	<u>3,344,833.74</u>	<u>3,488,934.21</u>	<u>3,353,637.43</u>	<u>5,395.04</u>	<u>129,853.11</u>	<u>48.63</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3
Sheet #7

Appropriation	Appropriations		Paid or Charged	Reserved		Unexpended Balance Cancelled
	Budget	Modified Budget		Encumbered	Unencumbered	
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
Sub-Total	\$ 16,145,762.51	\$ 16,289,862.98	\$ 15,151,526.05	\$ 557,300.23	\$ 580,988.07	\$ 48.63
Reserve for Uncollected Taxes	788,000.00	788,000.00	788,000.00			
Total Appropriations	\$ 16,933,762.51	\$ 17,077,862.98	\$ 15,939,526.05	\$ 557,300.23	\$ 580,988.07	\$ 48.63
		Below	Below	A	A	Below
Adopted Budget Added by N.J.S. 40A:4-87 Reserve for Uncollected Taxes Cancelled Cash Expenditures Grants	Ref. A-2 A-2 A-2a Above A-4 A-15	\$ 16,933,762.51 144,100.47 (788,000.00) (48.63)	\$ 788,000.00 14,962,040.84 189,485.21			
	A-1, Above	\$ 16,289,814.35	\$ 15,939,526.05			

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

B

<u>ASSETS</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2012</u>	Balance <u>Dec. 31, 2011</u>
<u>Assessment Fund</u>			
Due Current Fund	B-4	\$	<u>\$ 8,637.10</u>
<u>Animal Control Fund</u>			
Cash	B-2	13,647.75	5,251.95
Due Trust Other Fund	B-7		176.80
		<u>13,647.75</u>	<u>5,428.75</u>
<u>Other Funds</u>			
Cash	B-2	2,249,428.70	1,856,886.08
Interfunds	B-4	305.39	419,069.04
Community Development Block Grants Receivable	B-5	10,000.00	28,394.00
		<u>2,259,734.09</u>	<u>2,304,349.12</u>
		<u>\$ 2,273,381.84</u>	<u>\$ 2,318,414.97</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Assessment Fund</u>			
Fund Balance	B-1	\$	<u>\$ 8,637.10</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	<u>13,647.75</u>	<u>5,428.75</u>
<u>Other Funds</u>			
Interfunds	B-4	231,700.10	
Reserve for Payroll Deductions	B-6	62,531.21	52,320.13
Due Animal Control Trust Fund	B-7		176.80
Reserve for Community Development Block Grant	B-8	1,843.97	21,751.10
Various Reserves and Deposits	B-9	1,222,957.90	1,554,887.04
Reserve for Affordable Housing Deposit	B-10	510,720.26	402,923.65
Reserve for Unemployment Compensation Insurance	B-11	84,806.53	62,000.14
Reserve for Recreation Expenditures	B-12	145,174.12	210,290.26
		<u>2,259,734.09</u>	<u>2,304,349.12</u>
		<u>\$ 2,273,381.84</u>	<u>\$ 2,309,777.87</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

STATEMENT OF FUND BALANCE ASSESSMENT TRUST FUND - REGULATORY BASIS

B-1

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 8,637.10
Decreased by:		
Realized as Budget Revenue in Current Fund	B-2	<u>8,637.10</u>
		<u>\$ -</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

C

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Cash	C-2	\$ 1,018,869.87	\$ 105,958.50
Due Current Fund	C-4	89,639.67	894,302.30
Deferred Charges to Future Taxation:			
Funded	C-5	15,298,595.42	16,342,896.32
Unfunded	C-6	2,561,648.27	1,647,252.04
State Aid Receivable	C-9	518,750.00	118,750.00
New Jersey Environmental Infrastructure Loan Receivable	C-14	<u>563,402.52</u>	<u>563,402.52</u>
		<u>\$20,050,905.75</u>	<u>\$19,672,561.68</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Fund Balance	C-1	\$	\$ 81,700.77
Capital Improvement Fund	C-7	208,287.80	231,161.80
Improvement Authorizations:			
Funded	C-8	1,162,318.87	1,121,260.40
Unfunded	C-8	1,291,603.66	486,765.95
General Serial Bonds	C-10	8,584,000.00	9,209,000.00
New Jersey Environmental Infrastructure Loan Payable	C-11	6,714,595.42	7,133,896.32
Bond Anticipation Notes	C-12	2,081,600.00	1,167,000.00
Reserve for Senior Citizens' Bus	C-13	8,500.00	8,500.00
Reserve for Infrastructure Improvements	C-15		25,000.00
Reserve for Debt Services	C-16		<u>208,276.44</u>
		<u>\$20,050,905.75</u>	<u>\$19,672,561.68</u>
 Bonds and Notes Authorized but Not Issued	 C-17	 <u>\$ 480,048.27</u>	 <u>\$ 480,252.04</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

C-1

	<u>Ref.</u>	
Balance December 31, 2011	C	\$81,700.77
Decreased by:		
Due to Current Fund	C-4	<u>81,700.77</u>
		<u>\$ -</u>

See accompanying notes to financial statements.

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL FIXED ASSETS GROUP OF ACCOUNTS

COMPARATIVE BALANCE SHEET - REGULATORY BASIS

Exhibit G

<u>CAPITAL ASSETS</u>	Balance <u>Dec. 31, 2012</u>	Balance <u>Dec. 31, 2011</u>
Land	\$ 17,842,543.01	\$ 17,842,543.01
Buildings	10,749,304.94	10,747,989.94
Vehicles, Machinery and Equipment	<u>12,030,418.88</u>	<u>11,944,783.42</u>
	<u>\$ 40,622,266.83</u>	<u>\$ 40,535,316.37</u>
 <u>RESERVE</u>		
Investment in Capital Assets	<u>\$ 40,622,266.83</u>	<u>\$ 40,535,316.37</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF BERKELEY HEIGHTS

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Berkeley Heights is an instrumentality of the State of New Jersey established to function as a municipality. The Township Council consists of elected officials and is responsible for the fiscal control of the Township.

Except as noted below, the financial statements of the Township of Berkeley Heights include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Berkeley Heights, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of Berkeley Heights do not include the operations of the municipal library or the local school district, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, propriety and fiduciary as well as government-wide financial reporting funds that must be used by governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Township of Berkeley Heights conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Township of Berkeley Heights are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity. As required by the Division of Local Government Services, the Township accounts for its financial transactions through the following individual funds and account group:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - Receipts, custodianship and disbursements of funds in accordance with the purpose of which each reserve was created.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group - Utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and state grants are realized as revenue when anticipated in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System.

Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Basis of Accounting (Continued)**

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$1,000.00 or more per unit.

Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Township has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Township's most recent property revaluation. Buildings are stated at the most recent insurance replacement value. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Assets Account Group rather than in a governmental fund.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants-in-aid or contributed capital have not been accounted for separately.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

D. **Basic Financial Statements**

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements by GAAP. The differences, although not reasonably determinable, are presumed to be material.

2. CASH AND CASH EQUIVALENTS

The Township considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Township of Berkeley Heights had the following cash and cash equivalents at December 31, 2012:

<u>Fund</u>	<u>Cash on Deposit</u>	<u>Deposits-in-Transit</u>	<u>Outstanding Checks</u>	<u>Total</u>
Current Fund	\$ 3,103,428.98	\$ 155,590.00	\$ (51,599.83)	\$ 3,207,419.15
Animal Control Trust Fund	13,470.95	176.80		13,647.75
Trust Other Fund	2,442,995.40	3,573.00	(197,139.70)	2,249,428.70
General Capital Fund	<u>1,039,401.99</u>	<u></u>	<u>(20,532.12)</u>	<u>1,018,869.87</u>
	<u>\$ 6,599,297.32</u>	<u>\$ 159,339.80</u>	<u>\$ (269,271.65)</u>	<u>\$ 6,489,365.47</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Township does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2012, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$2,000,522.21 was covered by Federal Depository Insurance and \$4,598,775.11 was covered under the provisions of NJGUDPA.

B. Investments

The purchase of investments by the Township are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.

2. CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Township of Berkeley Heights had no investments outstanding as of December 31, 2012.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Township is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

3. MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds. A summary of bond, note and loan transactions for the year ended December 31, 2012 are detailed on Exhibits "C-10", "C-11" and "C-12".

3. **MUNICIPAL DEBT (Continued)**

Summary of Municipal Debt

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$17,380,195.42	\$17,509,896.32	\$17,317,200.24
Less: Reserve to Pay Debt Service		208,276.44	97,075.39
Total Issued	<u>17,380,195.42</u>	<u>17,301,619.88</u>	<u>17,220,124.85</u>
<u>Authorized but Not Issued</u>			
General:			
Bonds and Notes	<u>480,048.27</u>	<u>480,252.04</u>	<u>492,472.64</u>
Total Authorized but Not Issued	<u>480,048.27</u>	<u>480,252.04</u>	<u>492,472.64</u>
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$17,860,243.69</u>	<u>\$17,781,871.92</u>	<u>\$17,712,597.49</u>

Summary of Statutory Debt Condition Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.537%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 23,884,000.00	\$ 23,884,000.00	\$
General Debt	<u>17,860,243.69</u>		<u>17,860,243.69</u>
	<u>\$ 41,744,243.69</u>	<u>\$ 23,884,000.00</u>	<u>\$ 17,860,243.69</u>

Net Debt \$17,860,243.69 divided by equalized valuation basis per N.J.S.A. 40A:2-2, as amended, \$3,324,330,381.67 equals 0.537%.

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Township of Berkeley Heights for the last three (3) preceding years.

Equalized Valuation Basis* - December 31, 2012	<u>\$ 3,324,330,381.67</u>
3 1/2% of Equalized Valuation Basis	\$ 132,973,215.27
Net Debt	<u>17,860,243.69</u>
Remaining Borrowing Power	<u>\$ 115,112,971.58</u>

3. MUNICIPAL DEBT (Continued)

Long-Term Debt

As of December 31, 2012, the Township's long-term debt is as follows:

General Serial Bonds

\$4,000,000.00, 2003 Bonds due in annual installments of \$300,000.00 to \$305,000.00 through October, 2018 at interest rates between 3.50% and 4.00%.	\$1,810,000.00
\$7,604,000.00, 2009 Bonds due in annual installments of \$325,000.00 to \$460,000.00 through October, 2027 at interest rates between 2.00% and 4.00%.	<u>6,774,000.00</u>
	<u>\$8,584,000.00</u>

Environmental Infrastructure Loans

\$980,000.00, 2001 Loan due in annual remaining installments of \$50,000.00 to \$80,000.00 through August, 2021 at interest rates between 4.75% and 5.50%.	\$ 580,000.00
\$1,000,000.00, 2001 Interest Free Loan due in annual remaining installments of between \$50,990.88 and \$54,183.53 through August, 2021.	473,425.67
\$290,000.00, 2004 Loan due in annual remaining installments of \$15,000.00 and \$20,000.00 through August, 2024 at interest rates between 4.25% and 5.00%.	215,000.00
\$294,120.00, 2004 Interest Free Loan due in annual remaining installments of between \$14,114.32 and \$16,783.69 through August, 2024.	183,876.39
\$2,190,000.00, 2007 Loan due in annual remaining installments of \$95,000.00 and \$175,000.00 through August, 2027 at interest rates between 3.50% and 5.00%.	1,930,000.00
\$2,030,000.00, 2007 Interest Free Loan due in annual remaining installments of between \$111,658.75 and \$114,719.74 through August, 2027.	1,690,697.02
\$905,000.00, 2009 Loan due in annual remaining installments of \$35,000.00 and \$65,000.00 through August, 2029 at interest rates between 3.50% and 5.00%.	835,000.00
\$901,490.00, 2009 Interest Free Loan due in annual remaining installments of between \$47,446.83 and \$47,447.06 through August, 2029.	<u>806,596.34</u>
	<u>\$6,714,595.42</u>

3. MUNICIPAL DEBT (Continued)

Schedule of Annual Debt for Infrastructure Loan Payable

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 423,256.03	\$ 160,688.76	\$ 583,944.79
2014	427,144.96	152,103.76	579,248.72
2015	439,203.88	143,593.76	582,797.64
2016	446,878.21	133,243.76	580,121.97
2017	457,628.80	122,393.76	580,022.56
2018	464,731.72	110,893.76	575,625.48
2019	483,127.00	98,893.76	582,020.76
2020	493,578.88	87,793.76	581,372.64
2021	508,865.29	76,431.26	585,296.55
2022	386,231.70	63,131.26	449,362.96
2023	394,335.27	53,381.26	447,716.53
2024	406,276.19	44,168.76	450,444.95
2025	376,528.99	34,125.00	410,653.99
2026	385,150.45	24,862.50	410,012.95
2027	396,764.16	15,037.50	411,801.66
2028	112,446.83	5,200.00	117,646.83
2029	112,447.06	2,600.00	115,047.06
	<u>\$6,714,595.42</u>	<u>\$1,328,542.62</u>	<u>\$8,043,138.04</u>

4. FUND BALANCES APPROPRIATED

Fund balance at December 31, 2012, which was appropriated and included as anticipated revenue in the annual budget for the succeeding year is as follows:

	<u>Year</u>	<u>Balance December 31,</u>	<u>Budget of Succeeding Year</u>
Current Fund:	2012	\$ 1,355,645.19	\$ 800,000.00
	2011	1,433,671.98	700,000.00

5. PROPERTY TAXES

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Town, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation by each taxing district. The tax rate is determined by the board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and are calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy is based on one-half of the current year's total tax.

5. PROPERTY TAXES (Continued)

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00. The resolution also sets a grace period of ten days before interest is calculated.

Taxes unpaid on the 11th day of the eleventh month in the fiscal year when the taxes become in arrears are subject to the tax sale provisions of the New Jersey statutes. The municipality may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

The following is one year of certain statistical information relative to property taxes and property tax collections for the current year.

Schedule of Tax Rates

	<u>Year</u>
Tax Rate	<u>\$ 3.613</u>
Apportionment of Tax Rate:	
Municipal	\$ 0.605
Municipal Library	0.062
County*	0.839
School	2.107

*Including County Vocational School

Assessed Valuations

<u>Year</u>	<u>Amount</u>
2012	\$ 1,779,094,202.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$ 64,360,284.76	\$ 63,419,932.48	98.50%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 952,442.98	\$ 51,508.17	\$ 1,003,751.15	2.00%

6. SEWER BILLINGS AND COLLECTION

<u>Year</u>	<u>Billing</u>	<u>Sewer Collections</u>
2012	\$ 266,129.67	\$ 256,385.26

Collections include realization of prior year uncollected balances and water liens.

7. PENSION PLANS

Description of Systems

Substantially all of the Township's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Public Employees' Retirement System and the Police and Firemen's Retirement System is considered a cost sharing multiple-employer plan.

Public Employees' Retirement System:

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Significant Legislation

P.L. 2011, c. 78, effective June 28, 2011, made various changes to the manner in which PERS operates and to the benefit provisions of that system.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.

7. PENSION PLANS (Continued)

Significant Legislation (Continued)

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Police and Firemen's Retirement System:

The Police and Firemen's Retirement System (PFRS) was established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees. Members may opt for Service Retirement if over age 55 or Special Retirement at any age if they have a minimum of 25 years of service or 20 years of service if enrolled in the PFRS as of January 18, 2000. Retirement benefits vary depending on age and years of service.

Chapter 428, Public Law of 1999, effective January 18, 2000, allows a member, age 55 and older with 20 or more years of service, to retire with a benefit equaling 50% of final compensation, in lieu of the regular retirement allowance available to the member. Final compensation means the compensation received by the member in the last twelve months of creditable service preceding retirement.

In addition, a member of the system as of the effective date of this law may retire with 20 or more years of service with a retirement allowance of 50% of final compensation, regardless of age, and, if required to retire because of attaining the mandatory retirement age of 65, an additional 3% of final compensation for every additional year of creditable service up to 25 years.

Consolidated Police and Firemen's Pension Fund:

The Consolidated Police and Firemen's Retirement System (CPFPF) is a closed system with no active members and was established in January 1952 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944.

Contributions Required and Made

Contributions made by employees for PERS and PFRS are currently 6.64% and 10.0% of their base wages, respectively. Employer contributions are actuarially determined on an annual basis by the Division of Pensions. Contributions to the plan for the past two (2) years are as follows:

Year	PERS		PFRS	
	Township	Employees	Township	Employees
FY 2011	\$ 381,522.00	\$ 170,651.29	\$ 804,891.00	\$ 221,498.85
FY 2012	369,969.00	169,257.04	622,085.00	212,657.84

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM

Description of System

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

8. DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Description of System (Continued)

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. This waiver is irrevocable.

As of May 21, 2010, the municipal base salary required for eligibility in the DCRP was increased to \$5,000.00.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee and employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment options provided by the employer.

The law requires that three classes of employees enroll in the DCRP, detailed as follows:

- All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may remain in the Public Employees' Retirement System (PERS).
- A Governor appointee with the advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.
- Employees enrolled in the PERS on or after July 1, 2007 or employees enrolled in the PFR&S after May 21, 2010 who earn salary in excess of established "maximum compensation" limits.
- Employees otherwise eligible to enroll in the PERS on or after November 2, 2008 who do not earn the minimum salary for PERS Tier 3, but who earn salary of at least \$5,000.00.
- Employees otherwise eligible to enroll in the PERS after May 21, 2010, who do not work the minimum number of hours per week required for PERS Tier 4 or Tier 5 enrollment (32 hours per week) but who earn salary of at least \$5,000.00 annually.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to join or remain in PERS.

Contributions Required and Made

During the calendar year 2012, there were no employees enrolled in the DCRP.

9. COMPENSATED ABSENCES

Under the terms of various contracts, employees are compensated for unused vacation time and personal days. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented but is estimated by the Township to be \$639,510.40. The Township appropriates annually the amounts required to be paid in any fiscal year in that year's budget and no liability is accrued at December 31, 2012.

10. LITIGATION

The status of any current litigation, as abstracted from the Township Attorney's litigation report, is as follows:

- BAC Center of Excellence, LLC v. Township of Berkeley Heights:

Docket No. SOM-L-143-12. Currently under appeal at the Appellate Division, Docket No. A-3537-12T2. The Township's insurance carrier has assigned special counsel to represent the Township with any and all damage claims in this matter.

11. CONTINGENT LIABILITIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2012, the Township does not believe that any material liabilities will result from such audits.

12. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. Below is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions and Interest</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$25,599.94	\$ *	\$ 2,793.55	\$ 84,806.53
2011	12,779.86	11,434.23	77,708.85	62,000.14
2010	50,587.78	11,975.69	51,092.67	115,494.90

*\$11,359.82 for employee contributions was not transferred as of December 31, 2012.

13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2012:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 230,841.10	\$ 386,403.53
Grant Fund	296,458.47	
Community Development Block Grant		8,156.03
Recreation Trust	305.39	
Trust Other Fund		222,685.07
General Capital Fund	<u>89,639.67</u>	
	<u>\$ 617,244.63</u>	<u>\$ 617,244.63</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

14. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salaries until future years. The Township does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Projection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Township's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Metlife.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities. The Township's Deferred Compensation Plan financial statements are contained in a separate review report.

15. OTHER POST-RETIREMENT EMPLOYEE BENEFITS

• Actuarial Accrued Liability

The Actuarial Accrued Liability ("AAL") as of December 31, 2011 is \$33,831,379 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2011.

• Annual Required Contribution

The Annual Required Contribution ("ARC") is the measure of annual cost on an accrual basis. It is comprised of the "Normal Cost" which is the portion of future liabilities attributable to the measurement year, plus 30 year amortization of the Unfunded Actuarial Accrued Liability ("UAAL"). As of the measurement date, the plan had no assets to offset any portion of the AAL, so the UAAL and AAL are equal.

15. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

• Annual Required Contribution (Continued)

The ARC as of December 31, 2011 is \$2,879,895 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2011. The breakdown of the ARC is as follows:

(1) Normal Cost	\$ 802,934
(2) Actuarial Accrued Liability	33,831,379
(3) Assets	-
(4) UAAL = (2) - (3)	33,831,379
(5) 30 Year Amortization of UAAL at Discount Rate.	2,076,961
(6) ARC = (1) + (5)	2,879,895

This valuation has been conducted as of December 31, 2011 based upon census, plan design and claims information provided by The Fund. Census includes 50 participants currently receiving retiree benefits, and 57 active participants of whom 19 are eligible to retire as of the valuation date. The average age of the active population is 56 and the average age of the retiree population is 56.

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 45.

Demographic assumptions were selected based on those used in by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2011 report from Buck Consultants. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2011 report from Aon Consultants.

Key Actuarial Assumptions

<i>Mortality</i>	<i>RP 2000 Combined Healthy Male Mortality Rates Set Forward Three Years</i>
<i>Turnover</i>	<i>NJ State Pensions Ultimate Withdrawal Rates - prior to benefits eligibility</i>
<i>Assumed Retirement Age</i>	<i>At first eligibility after completing 25 years of service PBA and SOA: after attaining age 62 and completing 15 years of service all others</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>4.50%</i>
<i>Medical Trend</i>	<i>9% in 2012, reducing by 0.5% per annum, leveling at 5% per annum in 2020</i>
<i>Medical Cost Aging Factor</i>	<i>NJSHBP Medical Morbidity Rates</i>

- Attribution period - The attribution period begins with the date of hire and ends with full benefits eligibility date.

15. OTHER POST-RETIREMENT EMPLOYEE BENEFITS (Continued)

• Annual Required Contribution (Continued)

- Per capita cost methods - The valuation reflects per capita net premium costs based on actual 2012 medical and prescription drug and dental husband and spouse premiums and the plan option selected. Plan selections are assumed to remain unchanged in retirement. The age specific cost was derived based on per person costs at the average age of the active population (56) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequently, per capita plan costs are offset by Medicare payments. Thus, post 65 costs were decreased using the assumption that Medicare picks up 66.7% of combined medical/prescription drug costs. 2012 employer contributions for retiree benefits as reported by the Fund are \$849 thousand.
- Retiree Contributions - NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees' Retirement System. For purposes of this valuation, we have assumed that future retiree contribution percentages will be equal to the minimum percentage of premium so as not to understate actuarial measurements. Assumed percentages as follows: retiree only 4.5%, retiree and spouse 3.5%, family 3.0%. Based on retiree data, 60% of future retirees are assumed to be married and 40% are assumed to be single.
- Actuarial valuation method Projected Unit Credit Funding Method.

16. TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for the year 2012. Any reduction in assessed valuation will result in either the reduction being applied to subsequent taxes or a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51.

17. SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 1602-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the requirements in accordance with Paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the municipality shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof various financial documents relating to the financial conditions of the Municipal Securities Rulemaking Board through the Electronic Municipal Access Data Port (the "MSRB").

18. SUBSEQUENT EVENT

The Township of Berkeley Heights has evaluated subsequent events that occurred after the balance sheet date, but before June 7, 2013. No items were determined to require disclosure.

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

A-4

	<u>Ref.</u>		<u>Regular Fund</u>
Balance December 31, 2011	A		\$ 4,701,717.82
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2a	\$ 505,314.36	
Sewer Overpayment	A-7	13,461.13	
Petty Cash	A-9	1,000.00	
Due from State of New Jersey per Ch. 129, P.L. 1976	A-10	117,347.26	
Taxes Receivable	A-11	63,419,932.48	
Revenue Accounts Receivable	A-12	3,621,416.86	
Prepaid Taxes	A-16	281,814.74	
Tax Overpayments	A-17	132,010.61	
Sewer User Charges Receivable	A-18	256,385.76	
Interfunds Receivable	A-22	<u>295,527.49</u>	
			<u>68,644,210.69</u>
			73,345,928.51
Decreased by Disbursements:			
Refund of Fees and Permits	A-2a	250.00	
2012 Budget Appropriations	A-3	14,962,040.84	
Petty Cash	A-9	1,000.00	
Appropriation Reserves	A-13	835,203.58	
Refund of Tax Overpayments	A-17	127,619.88	
County Taxes	A-20	14,956,897.89	
Local District School Taxes	A-21	37,469,382.00	
Interfunds Payable	A-22	1,785,051.39	
Miscellaneous Reserves	A-25	<u>1,463.78</u>	
			<u>70,138,909.36</u>
Balance December 31, 2012	A		<u>\$ 3,207,019.15</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

ACCOUNTS PAYABLE - CURRENT FUND

A-5

	<u>Ref.</u>	
Increased by:		
Disbursements	A-13	<u>\$ 24,954.35</u>
Balance December 31, 2012	A	<u><u>\$ 24,954.35</u></u>

TAX TITLE LIENS

A-6

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 44,986.70
Increased by:		
Transfers from Taxes Receivable	A-11	<u>6,521.47</u>
Balance December 31, 2012	A	<u><u>\$ 51,508.17</u></u>

SEWER OVERPAYMENTS

A-7

	<u>Ref.</u>	
Increased by:		
Overpayments	A-4	<u>\$ 13,461.13</u>
Balance December 31, 2012	A	<u><u>\$ 13,461.13</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

CHANGE FUND

A-8

	<u>Ref.</u>	
Balance December 31, 2011	A	<u>\$ 400.00</u>
Balance December 31, 2012	A	<u><u>\$ 400.00</u></u>

PETTY CASH FUND

A-9

	<u>Ref.</u>	
Increased by:		
Cash Receipts	A-4	\$1,000.00
Decreased by:		
Cash Disbursements	A-4	<u>1,000.00</u>
		<u><u>\$ -</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

DUE TO STATE OF NEW JERSEY
PER CHAPTER 20, P.L. 1971

A-10

	<u>Ref.</u>		
Balance December 31, 2011	A		\$ 16,667.78
Decreased by:			
Veterans' Deductions per Tax Duplicate	Below	\$ 106,250.00	
Senior Citizens' Deductions Allowed by Tax Collector	Below	11,750.00	
Veterans' Deductions Allowed	Below	<u>750.00</u>	
			<u>118,750.00</u>
			135,417.78
Increased by:			
Received Cash from State	A-4	117,347.26	
Senior Citizen Deductions Disallowed by Tax Collector	Below	2,228.76	
Veteran Deductions Disallowed by Tax Collector	Below	<u>250.00</u>	
			<u>119,826.02</u>
Balance December 31, 2012	A		<u>\$ 15,591.76</u>
<u>Calculation of State Share of 2012 Senior Citizens' and Veterans' Deductions Allowed by Collector</u>			
Senior Citizens' Deductions per Tax Billings	Above	\$ 11,750.00	
Veterans' Deductions per Tax Billings	Above	106,250.00	
Veterans' Deductions Allowed	Above	<u>750.00</u>	
			\$ 118,750.00
Less: Senior Citizen Deductions Disallowed by Tax Collector	Above	2,228.76	
Veteran Deductions Disallowed by Tax Collector	Above	<u>250.00</u>	
			<u>2,478.76</u>
	A-11		<u>\$ 116,271.24</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

A-11

Year	Balance	Collected		Due from State of New Jersey	Over-payments Applied	Transferred to Tax Title Lien	Cancelled	Balance Dec. 31, 2012
	Dec. 31, 2011	2011	2012					
2011	\$ 671,098.51	\$ 366,638.73	\$ 638,199.81	\$ 116,271.24	\$ 8,235.10	\$ 6,521.47	\$ 24,663.60	\$ 952,442.98
2012	\$ 671,098.51	\$ 366,638.73	\$ 62,781,732.67	\$ 116,271.24	\$ 8,235.10	\$ 6,521.47	\$ 101,341.27	\$ 952,442.98
Reference	A	A-2a.16	A-2a.4	A-2a.10	A-2a.17	A-6	Reserve	A

ANALYSIS OF PROPERTY TAX LEVY

	Ref.	Ref.
Tax Yield		
General Property Tax		
Business Personal Tax - Utilities		
Added Taxes		
	\$ 64,232,565.67	\$ 14,933,303.33
	45,348.24	19,123.96
	82,370.85	10,759,341.00
		1,108,117.00
		71,016.47
		11,938,474.47
	\$ 64,360,284.76	\$ 64,360,284.76
	Above	Above

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

REVENUE ACCOUNTS RECEIVABLE

A-12

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Accrued</u>	<u>Collections</u> <u>2012</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Clerk:					
Alcoholic Beverage Licenses	A-2	\$	\$ 16,684.40	\$ 16,684.40	\$
Other Licenses	A-2		2,802.00	2,802.00	
Other Fees and Permits	A-2a		140,492.94	140,492.94	
Construction Code Official:					
Other Fees and Permits	A-2		486,529.00	486,529.00	
Board of Health:					
Other Fees and Permits	A-2a		25,605.00	25,605.00	
Police Department:					
Other Fees and Permits	A-2a		274.00	274.00	
Municipal Court:					
Fines and Costs	A-2	13,787.41	127,480.24	133,162.97	8,104.68
Engineering/Planning Board:					
Fees and Permits	A-2a		107,443.51	107,443.51	
Interest and Cost on Taxes	A-2		157,025.85	157,026.85	
Interest on Investments and Deposits	A-2		5,152.40	5,152.40	
State of New Jersey:					
Energy Receipts Tax	A-2		1,316,789.00	1,316,789.00	
Consolidated Municipal Property Tax					
Relief Aid	A-2		223,802.00	223,802.00	
Uniform Fire Safety Act	A-2		15,150.84	15,150.84	
Cable TV Franchise Fee	A-2		171,310.80	171,310.80	
General Capital Surplus	A-2		81,700.77	81,700.77	
Assessment Trust Surplus	A-2		8,637.10	8,637.10	
Library Reimbursement of Cost	A-2		220,000.00	220,000.00	
Rental of Township Property	A-2		275,576.84	275,576.84	
Reserve for Improvements	A-2		25,000.00	25,000.00	
Reserve for Payment of Debt	A-2		208,276.44	208,276.44	
		<u>\$ 13,787.41</u>	<u>\$ 3,615,733.13</u>	<u>\$ 3,621,416.86</u>	<u>\$ 8,104.68</u>
	<u>Reference</u>	<u>Δ</u>	<u>Reserve</u>	<u>A-4</u>	<u>Δ</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

2011 APPROPRIATION RESERVES

A-13
Sheet #1

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2011</u>		<u>Modified</u> <u>Balance</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>	<u>Dec. 31, 2011</u>		
<u>GENERAL GOVERNMENT</u>					
Mayor :					
Other Expenses	\$	\$ 125.00	\$ 125.00	\$	\$ 125.00
Council:					
Other Expenses	157.72	2,618.68	1,776.40	1,113.57	662.83
Municipal Clerk:					
Other Expenses	11,298.34	11,891.53	15,189.87	5,350.03	9,839.84
Financial Administration:					
Other Expenses	125.00	10,498.77	10,848.77	10,825.00	23.77
Revenue Administration (Tax Collection):					
Salaries and Wages		538.30	38.30		38.30
Insurance:					
Group Insurance Plans for Employees	141.59	141,448.41	144,819.59	144,678.00	141.59
Other Insurance	7,517.39	35,093.52	42,610.91	6,695.39	35,915.52
Worker's Compensation	13.00	39.00	52.00		52.00
Administrative and Executive:					
Other Expenses	2,416.93	4,972.27	4,389.20	3,353.05	1,036.15
Assessor of Taxes:					
Salaries and Wages		0.08	0.08		0.08
Other Expenses	1,489.70	12,010.97	8,500.67	7,928.14	572.53
Legal Services and Costs:					
Other Expenses	12,754.30	4.76	44,321.86	43,406.17	915.69
Municipal Court:					
Other Expenses		6,257.45	257.45	25.00	232.45
Engineering Services and Costs:					
Salaries and Wages		8,206.61			
Other Expenses	15,364.61	19,283.48	3,648.09	2,536.00	1,112.09
Planning Board:					
Other Expenses		5,312.40	5,312.40	4,098.16	1,214.24
Zoning Board of Adjustment:					
Other Expenses		7,220.00	1,220.00	487.68	732.32
<u>PUBLIC SAFETY</u>					
Uniform Fire Safety (P.L. 1983, Ch. 383):					
Fire Prevention:					
Salaries and Wages		8,251.13			
Other Expenses	270.00	1,824.65	2,094.65	65.00	2,029.65
Fire:					
Other Expenses	9,852.88	21,303.47	41,891.95	36,728.71	5,163.24
Fire Hydrant Services	13,901.00	116.46	27,801.48	13,900.74	13,900.74
Police:					
Salaries and Wages		58,097.90	34,697.90	14,374.52	20,323.38
Other Expenses	37,875.70	18,850.38	56,726.08	53,543.12	3,182.96
Traffic Control Schools:					
Salaries and Wages		500.00			
Emergency Management:					
Salaries and Wages		0.20	0.20		0.20
Municipal Prosecutor:					
Salaries and Wages		0.14	0.14		0.14
<u>PUBLIC WORKS</u>					
Road Repair and Maintenance:					
Salaries and Wages		16,832.29	18,278.03	18,278.03	
Other Expenses	20,240.60	9,484.05	29,724.65	(26,083.73)	55,808.38
Snow Removal:					
Other Expenses	0.10	5,000.00	5,723.35	5,723.25	0.10
Sanitation:					
Other Expenses	54,352.95	42,376.06	102,858.62	102,845.67	12.95
Public Buildings and Grounds:					
Salaries and Wages		0.08	0.08		0.08
Other Expenses	6,084.78	732.91	6,817.69	1,770.81	5,046.88

2011 APPROPRIATION RESERVES

A-13
Sheet #2

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2011</u>		<u>Modified</u> <u>Balance</u> <u>Dec. 31, 2011</u>	<u>Paid and</u> <u>Committed</u>	<u>Balance</u> <u>Lapsed</u>
	<u>Encumbered</u>	<u>Unencumbered</u>			
<u>PUBLIC WORKS</u>					
Maintenance of Vehicles:					
Other Expenses	\$ 18,580.02	\$	\$ 43,630.02	\$ 35,174.81	\$ 8,455.21
Maintenance of Sewer Plant:					
Salaries and Wages		3,253.75	2,701.96	(41,433.38)	44,135.34
Other Expenses	60,432.09	20,978.98	81,411.07	30,926.65	50,484.42
<u>HEALTH AND WELFARE</u>					
(Board of Health - Local Health Agency):					
Board of Health:					
Other Expenses	250.00	35,318.70	35,568.70	33,884.46	1,684.24
Animal Control:					
Other Expenses	10,077.00	9,237.25	18,499.84	10,077.00	8,422.84
Environmental Commission:					
Salaries and Wages		223.28	223.28		223.28
Community on Cable					
		80.00	80.00	(8,960.00)	9,040.00
<u>RECREATION AND EDUCATION</u>					
Senior Citizens' Transportation:					
Other Expenses	1,956.30	174.36	2,130.66		2,130.66
Board of Recreation Commissioners:					
Salaries and Wages	754.68	636.35	1,391.03	1,044.24	346.79
<u>CODE ENFORCEMENT</u>					
State Uniform Construction Code Official:					
Salaries and Wages		600.00			
Other Expenses	10,406.75	26,053.95	36,460.70	22,238.05	14,222.65
<u>UNCLASSIFIED</u>					
Natural Gas	30,033.29	14,980.26	34,401.43	21,726.98	12,674.45
Electricity	40,160.26	17,051.03	51,704.20	49,260.37	2,443.83
Water	979.75	4,048.74	4,029.04	3,529.94	499.10
Telephone	14,035.41	9,653.52	14,484.80	7,769.39	6,715.41
Street Lighting	947.68	30,008.25	30,832.38	30,749.05	83.33
Unemployment Compensation Insurance		5,500.00	5,500.00	5,500.00	
Gasoline	19,550.20	7.11	32,552.43	24,511.83	8,040.60
Postage		6,778.86			
Condominium Service Law		20,000.00	20,000.00	20,000.00	
<u>CONTINGENT</u>					
		500.00	500.00		500.00
<u>STATUTORY EXPENDITURES</u>					
Contribution to:					
Social Security System (OASI)		3,831.59			
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Water Pollution - Contractual: New Providence		9,060.00	9,060.00		9,060.00
Maintenance of Free Public Library		116,057.73	152,057.73	152,057.73	
Planning Board (P.L.1985, Ch. 222):					
Other Expenses		2,458.50	458.50	458.50	
Reserve for Tax Appeals		10,000.00	10,000.00	10,000.00	
Prior Year Encumbrance	27,171.36		27,171.36		27,171.36
	<u>\$ 429,191.38</u>	<u>\$ 795,383.16</u>	<u>\$ 1,224,574.54</u>	<u>\$ 860,157.93</u>	<u>\$ 364,416.61</u>

Reference

A

A

Below

A-1

Ref.

Disbursements
Accounts Payable

A-4

\$ 835,203.58
24,954.35

Above

\$ 860,157.93

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

RESERVE FOR GRANTS - UNAPPROPRIATED

A-14

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>2012 Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Alcohol Education and Rehabilitation	\$ 1,564.11	\$	\$ 1,564.11	\$
Environmental Commission	250.00		250.00	
Clean Communities Program	666.92		666.92	
Recycling Tonnage Grant	33,313.18	11,764.91	33,313.18	11,764.91
Municipal Storm Water	2,552.00		2,552.00	
Greening Union County Kids	7,038.53		7,038.53	
	<u>\$ 45,384.74</u>	<u>\$ 11,764.91</u>	<u>\$ 45,384.74</u>	<u>\$ 11,764.91</u>
<u>Reference</u>	<u>A</u>	<u>A-19</u>	<u>A-23</u>	<u>A</u>

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

RESERVE FOR GRANTS - APPROPRIATED

A- 15

	Balance <u>Dec. 31, 2011</u>	2012 Budget <u>Appropriation</u>	<u>Adjustment</u>	Paid or <u>Charged</u>	Balance <u>Dec. 31, 2012</u>
Clean Communities Grant	\$	\$ 20,897.79	\$	\$ 20,230.87	\$ 666.92
Environmental Commission		250.00			250.00
Municipal Alliance Waste Water Management Plan Grant	15,000.00				15,000.00
Municipal Alliance	10,290.39			3,638.00	6,652.39
Municipal Alliance - 2012		10,594.00		5,961.12	4,632.88
Municipal Alliance Match - 2012		859.00			859.00
Open Land Inventory	1,500.00				1,500.00
Drunk Driving Enforcement	13,351.07	13,301.98		5,876.87	20,776.18
Business Stimulus Fund Grant	292.85			10.31	282.54
Body and Armor Replacement Fund	3,733.72	2,601.58		89.71	6,245.59
Recycling Grant		33,313.18			33,313.18
Kids Recreation Trust Grant	20,450.00			19,538.53	911.47
2006 Kids Recreation			4,550.00	3,500.00	1,050.00
Storm Water Management Grant	1,782.52	2,552.00			4,334.52
Alcohol Education and Rehabilitation Department of Transportation - Park Avenue	5,435.89	2,967.15		600.00	7,803.04
Commerce Downtown Improvements	200,000.00			8,350.00	191,650.00
Union County Field Dreams	40,000.00				40,000.00
Police Technology	54,095.60			3,175.00	54,095.60
Sustainable Jersey Small Grant	4,371.45				1,196.45
Union County Homeland Security	5,000.00				5,000.00
Bulletproof Vest Partnership Grant	5,325.00			793.28	5,325.00
Union County Pocket Parks	793.28			6,246.55	3,753.45
Union County Recreation Grant 09	10,000.00				9,245.06
Union County Senior Focus	9,245.06				85,844.45
Greening Union County - Trees	85,844.45		1,785.00		1,785.00
Greening Union County - Kids Recreation	7,549.97	7,038.53	(6,335.00)		8,253.50
CDBG - Senior Citizen Center Program		6,800.00			6,600.00
CDBG - Senior Citizen Transportation Program		7,600.00			7,600.00
COPS Secure Our Schools Grant		76,510.00			76,510.00
Drive Sober or Get Pulled Over		4,400.00		4,400.00	
	<u>\$ 494,061.25</u>	<u>\$ 189,485.21</u>	<u>\$ -</u>	<u>\$ 82,410.24</u>	<u>\$ 601,136.22</u>

Reference

A

A-3

A-19

A

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

PREPAID TAXES

A-16

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 366,638.73
Increased by:		
Collections	A-4	281,814.74
		<u>648,453.47</u>
Decreased by:		
Applied	A-11	366,638.73
Balance December 31, 2012	A	<u>\$ 281,814.74</u>

TAX OVERPAYMENT

A-17

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 8,235.10
Increased by:		
Overpayments	A-4	132,010.61
		<u>140,245.71</u>
Decreased by:		
Refunds	A-4	\$ 127,619.88
Applied	A-11	8,235.10
		<u>135,854.98</u>
Balance December 31, 2012	A	<u>\$ 4,390.73</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

SEWER USER CHARGES RECEIVABLE

A-18

	<u>Ref.</u>		
Balance December 31, 2011	A		\$ 65,986.37
Increased by:			
2012 Sewer Billings	Reserve		<u>266,129.67</u>
			332,116.04
Decreased by:			
Cash Receipts	A-2,4	\$ 256,385.76	
Cancelled	Reserve	<u>43,430.61</u>	
			<u>299,816.37</u>
Balance December 31, 2012	A		<u><u>\$ 32,299.67</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

GRANT FUND
INTERFUNDS RECEIVABLE

A-19

	<u>Ref.</u>	<u>Total</u>	<u>Current Fund</u>	<u>Other Trust Fund</u>
Balance December 31, 2011:				
Due From	A	<u>\$ 315,138.99</u>	<u>\$ 315,138.99</u>	\$
Increased by:				
Nonbudget Revenue	A-2	859.00		859.00
Unappropriated Grant Reserves	A-14	11,764.91	11,764.91	
Grants Receivable	A-23	<u>51,964.81</u>	<u>51,964.81</u>	
		<u>64,588.72</u>	<u>63,729.72</u>	<u>859.00</u>
Decreased by:				
Expenditures	A-15	<u>82,410.24</u>	<u>82,410.24</u>	
Balance December 31, 2012:				
Due From	A	<u>\$ 297,317.47</u>	<u>\$ 296,458.47</u>	<u>\$ 859.00</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

COUNTY TAXES PAYABLE

A-20

	<u>Ref.</u>		
Balance December 31, 2011	A		\$ 23,594.14
Increased by:			
2011 Tax Levy	A-1	\$ 14,933,303.33	
Added and Omitted County Taxes	A-1	<u>19,123.96</u>	
	A-11		<u>14,952,427.29</u>
			<u>14,976,021.43</u>
Decreased by:			
Payments	A-4		<u>14,956,897.89</u>
Balance December 31, 2012	A		<u>\$ 19,123.54</u>

LOCAL SCHOOL DISTRICT TAX

A-21

	<u>Ref.</u>		
Increased by:			
Levy Calendar Year 2012	A-1,11		\$ 37,469,383.00
Decreased by:			
Payments	A-4		<u>37,469,382.00</u>
Balance December 31, 2012	A		<u>\$ 1.00</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

A-22

INTERFUNDS

Ref.	Total	Federal/State Grant Fund	General Capital Fund	Recreation Trust Fund	COBG Trust Fund	Trust Other Fund	Assessment Trust Fund
Balance December 31, 2011:							
Due From	\$ 6,642.90	\$	\$	\$	\$ 6,642.90	\$	\$
(Due To)	\$ (1,643,790.33)	\$ (315,138.99)	\$ (894,302.30)			\$ (425,711.94)	\$ (8,637.10)
Increased by:							
Cash Disbursements	\$ 1,785,051.39	\$ 82,410.24	\$ 1,022,870.37		\$ 19,907.13	\$ 651,226.55	\$ 8,637.10
Decreased by:							
Cash Receipts	295,527.49	63,729.72	210,268.84	305.39	18,394.00	2,829.54	
Deferred Charge	7,938.90		7,938.90				
	303,466.39	63,729.72	218,207.74	305.39	18,394.00	2,829.54	
Balance December 31, 2012:							
Due From	\$ 230,841.10						
(Due To)	\$ (386,403.53)	\$ (296,458.47)	\$ (89,639.67)	\$ (305.39)	\$ 8,156.03	\$ 222,685.07	\$ -
<u>Analysis of Interfund Receivable Balance</u>							
Balance December 31, 2011	\$ 6,642.90						
Balance December 31, 2012	230,841.10						
Net Change to Operation	\$ (224,198.20)						

TOWNSHIP OF BERKELEY HEIGHTS
GRANT FUND

A-23

GRANTS RECEIVABLE

	Balance Dec. 31, 2011	2012 Grants	Collections	Balance Dec. 31, 2012
Business Stimulus Fund	\$ 7,000.00	\$	\$ 7,000.00	\$
Municipal Storm Water		2,552.00	2,552.00	
Environmental Commission		250.00	250.00	
Department of Transportation - Park Avenue	200,000.00			200,000.00
Municipal Alliance	17,307.00		3,027.34	14,279.66
CDBG - Senior Citizen Center Program		6,600.00		6,600.00
CDBG - Senior Citizen Transportation Program		7,600.00		7,600.00
COPS Secure Our Schools Grant		76,510.00		76,510.00
Municipal Alliance 2012		10,594.00		10,594.00
Clean Communities		20,897.79		20,897.79
Recycling Tonnage Grant		33,313.18		33,313.18
Alcohol Education and Rehabilitation		2,967.15		2,967.15
Body Armor Grant		2,601.58		2,601.58
Drive Sober or Get Pulled Over		4,400.00		4,400.00
Drunk Driving Enforcement Fund		13,301.98		13,301.98
Greening Union County - Kids		7,038.53		7,038.53
	<u>\$224,307.00</u>	<u>\$ 188,626.21</u>	<u>\$ 97,349.55</u>	<u>\$ 315,583.66</u>

Reference A

Below

A

Receipts
Unappropriated Applied

Ref.

\$ 51,964.81
45,384.74

\$ 97,349.55

Above

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

RESERVE FOR SALE OF MUNICIPAL ASSETS

A-24

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 10,000.00
Decreased by:		
Anticipated as Revenue	A-2	<u>10,000.00</u>
		<u>\$ -</u>

RESERVE FOR VARIOUS DEPOSITS

A-25

	<u>Ref.</u>	
Balance December 31, 2011	A	\$ 8,330.78
Decreased by:		
Disbursements	A-4	<u>1,463.78</u>
Balance December 31, 2012	A	<u>\$ 6,867.00</u>

TOWNSHIP OF BERKELEY HEIGHTS
CURRENT FUND

DEFERRED CHARGES

A-26

	<u>Ref.</u>	
Increased by:		
Overexpenditure of Improvement Authorization	A-22	<u>\$ 7,938.90</u>
Balance December 31, 2012	A	<u>\$ 7,938.90</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

B-2

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Trust Other Fund</u>
Balance December 31, 2011	B	\$ 5,251.95	\$ 1,856,886.08
Increased by Receipts:			
Animal Control Fees	B-3	\$ 8,238.21	\$
Due from Current Fund	B-4		1,031,887.12
Community Development Block Grants Receivable	B-5		18,394.00
Payroll Deduction	B-6		3,832,438.01
Due from Other Trust Fund	B-7	176.80	
Various Reserves and Deposits	B-9		1,857,389.17
Reserve for Affordable Housing	B-10		114,048.61
Unemployment Compensation Insurance	B-11		25,599.94
Reserve for Recreation	B-12		413,713.11
		<u>8,415.01</u>	<u>7,293,469.96</u>
		13,666.96	9,150,356.04
Decreased by Disbursements:			
Assessment Trust Fund	B-1		8,637.10
Expenditure Under R.S. 4:19-15.11	B-3	19.21	
Due Current Fund	B-4		373,339.88
Payroll Deductions	B-6		3,822,226.93
Due Animal Control Trust Fund	B-7		176.80
Community Development Block Grants Receivable	B-8		19,907.13
Various Reserves and Deposits	B-9		2,189,318.31
Reserve for Affordable Housing	B-10		6,252.00
Unemployment Compensation Insurance	B-11		2,793.55
Reserve for Recreation	B-12		478,275.64
		<u>19.21</u>	<u>6,900,927.34</u>
Balance December 31, 2012	B	<u>\$ 13,647.75</u>	<u>\$ 2,249,428.70</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

B-3

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 5,428.75
Increased by:		
Collections:		
Fees Collected	B-2	8,238.21
		<u>13,666.96</u>
Decreased by:		
Expenditures Under N.J.S. 40A:4-39	B-2	<u>19.21</u>
Balance December 31, 2012	B	<u><u>\$13,647.75</u></u>

License Fees Collected

	<u>Year</u>	<u>Amount</u>
	2011	\$ 4,564.00
	2012	<u>8,238.21</u>
		<u><u>\$ 12,802.21</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

B.4

INTERFUNDS

				Current Fund			
Ref.	Total	Recreation Trust	Assessment	Trust Other	Grant Fund		
Balance December 31, 2011: Due From	\$ 427,706.14	\$	\$ 8,637.10	\$ 419,069.04	\$		
Increased by:							
Cash Disbursements	\$ 373,339.88		\$	\$ 373,339.88			
Recreation - Reserve for Expenditures	305.39	305.39		373,339.88			
	<u>373,645.27</u>	<u>305.39</u>		<u>373,339.88</u>			
Decreased by:							
Cash Receipts	1,031,887.12		8,637.10	1,023,250.02	859.00		
Budget Appropriations	859.00			1,023,250.02	859.00		
	<u>1,032,746.12</u>		<u>8,637.10</u>	<u>1,023,250.02</u>	<u>859.00</u>		
Balance December 31, 2012: Due From	\$ 305.39	\$ 305.39	\$ -		\$ (859.00)		
(Due To)	\$ (231,700.10)			\$ (230,841.10)	\$ (859.00)		

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

COMMUNITY DEVELOPMENT BLOCK GRANTS RECEIVABLE

B-5

<u>Program</u>	<u>Program Number</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Balance Dec. 31, 2012</u>
Senior Citizens Transportation	04-201	\$ 10,000.00	\$	\$ 10,000.00
Senior Citizens Center	11-200	8,500.00	8,500.00	
Senior Citizens' Transportation	11-201	<u>9,894.00</u>	<u>9,894.00</u>	<u> </u>
		<u>\$ 28,394.00</u>	<u>\$ 18,394.00</u>	<u>\$ 10,000.00</u>
	<u>Reference</u>	<u>B</u>	<u>B-2</u>	<u>B</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

TRUST OTHER FUNDS
PAYROLL DEDUCTIONS PAYABLE

B-6

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 52,320.13
Increased by:		
Payroll Deductions	B-2	3,832,438.01
		<u>3,884,758.14</u>
Decreased by:		
Cash Disbursements	B-2	3,822,226.93
		<u>3,822,226.93</u>
Balance December 31, 2012	B	<u>\$ 62,531.21</u>

DUE ANIMAL CONTROL TRUST FUND - TRUST OTHER

B-7

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 176.80
Decreased by:		
Receipts	B-2	176.80
		<u>176.80</u>
		<u>\$ -</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR COMMUNITY DEVELOPMENT BLOCK GRANT

B-8

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 21,751.10
Decreased by:		
Expenditures	B-2	<u>19,907.13</u>
Balance December 31, 2012	B	<u>\$ 1,843.97</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR EXPENDITURES

B-9

<u>Account</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
Police Forfeiture - Law Enforcement Funds	\$ 72,312.86	\$ 987.16	\$ 5,462.52	\$ 67,837.50
Tax Sale Certificates	1,689.87	172,641.95	156,142.86	18,188.96
Tax Sale Premiums	104,800.00	86,700.00	62,999.09	128,500.91
Bandstand Improvements	509.35			509.35
Regional Board of Health Settlement	7,903.92			7,903.92
Street Opening Deposits	8,099.96			8,099.96
Tree Deposit	18,860.76	10,820.00	4,130.00	25,550.76
Christmas Tree Sellers' Deposits	625.00			625.00
Fire Sub-Code	117,399.72	18,954.95	27,964.85	108,389.82
Parking Offense Adjudication Act	1,956.96	42.00	778.50	1,220.46
Municipal Alliance	852.48	1,000.00		1,852.48
Public Defender	(1,775.02)	6,672.85	3,630.25	1,267.58
Green Acres	91,969.65	43,300.00	321.12	134,948.53
Developers' Escrow	1,071,642.47	1,119,151.95	1,588,788.52	602,005.90
Sewer Pump Station Study	18,000.00			18,000.00
State of New Jersey Construction Code Fee	1,510.00	40,633.00	36,527.00	5,616.00
Peppertown Park Project	9,105.38			9,105.38
Donations	23,935.08	7,693.44		31,628.52
Police Escrow	(9,455.14)	346,511.87	302,345.43	34,711.30
Miscellaneous	14,943.74	2,280.00	228.17	16,995.57
	<u>\$ 1,554,887.04</u>	<u>\$ 1,857,389.17</u>	<u>\$ 2,189,318.31</u>	<u>\$ 1,222,957.90</u>
<u>Reference</u>	<u>B</u>	<u>B-2</u>	<u>B-2</u>	<u>B</u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RESERVE FOR AFFORDABLE HOUSING DEPOSITS

B-10

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 402,923.65
Increased by:		
Receipts	B-2	<u>114,048.61</u> 516,972.26
Decreased by:		
Disbursements	B-2	<u>6,252.00</u>
Balance December 31, 2012	B	<u><u>\$ 510,720.26</u></u>

RESERVE FOR STATE UNEMPLOYMENT INSURANCE

B-11

	<u>Ref.</u>	
Balance December 31, 2011	B	\$ 62,000.14
Increased by:		
Receipts	B-2	<u>25,599.94</u> 87,600.08
Decreased by:		
Disbursements	B-2	<u>2,793.55</u>
Balance December 31, 2012	B	<u><u>\$ 84,806.53</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
TRUST FUNDS

RECREATION
RESERVE FOR EXPENDITURES

B-12

	<u>Ref.</u>		
Balance December 31, 2011	B		\$ 210,290.26
Increased by:			
Receipts	B-2	\$ 413,713.11	
Due from Current	B-4	<u>305.39</u>	
			<u>414,018.50</u>
			<u>624,308.76</u>
Decreased by:			
Disbursements	B-2	478,275.64	
Due to Grant Fund	B-4	<u>859.00</u>	
			<u>479,134.64</u>
Balance December 31, 2012	B		<u>\$ 145,174.12</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

CASH RECEIPTS AND DISBURSEMENTS
COLLECTOR - TREASURER

C-2

	<u>Ref.</u>		
Balance December 31, 2011	C		\$ 105,958.50
Increased by Receipts:			
2012 Budget Appropriations:			
Due from Current Fund	C-4	\$ 1,263,618.96	
Deferred Charges - Unfunded	C-6	203.77	
Capital Improvement Fund	C-7	95,000.00	
Bond Anticipation Notes	C-12	<u>2,081,600.00</u>	
			<u>3,440,422.73</u>
			3,546,381.23
Decreased by Expenditures:			
Due to Current Fund	C-4	532,594.64	
Improvement Authorizations	C-8	827,916.72	
Bond Anticipation Notes	C-12	<u>1,167,000.00</u>	
			<u>2,527,511.36</u>
Balance December 31, 2012	C		<u>\$ 1,018,869.87</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-3

ANALYSIS OF CAPITAL CASH AND INVESTMENTS

Ordinance Number	Description	Balance Dec. 31, 2011		Receipts	Disbursements	Transfers		Balance Dec. 31, 2012
		From	To			From	To	
	Fund Balance	\$ 81,700.77		\$		\$		\$
	Capital Improvement Fund	231,161.80		95,000.00		81,700.77		208,287.80
	State Aid Receivable	(118,750.00)				117,874.00		(518,750.00)
	Loans Receivable	(563,402.52)				400,000.00		(563,402.52)
	Unexpended Proceeds of Bond Anticipation Notes	31,100.72				31,100.72		
	Due Current Fund	(894,302.30)		1,263,618.96	532,594.64	241,338.90	314,977.21	(89,639.67)
	Reserve for Senior Citizens' Bus	8,500.00						8,500.00
	Reserve for Infrastructure Improvement	25,000.00				25,000.00		
	Reserve for Debt Service	208,276.44				208,276.44		
	<u>Improvement Authorizations</u>							
43-99	Various Library Improvements	18,251.00						18,251.00
46-99	Construction and Improvement to Parking Area	34,875.00		125.00	27,259.94			7,740.06
00-13	Various Capital Improvements	81,509.80			70,691.15			10,818.65
00-16	Various Capital Improvements	2,240.93		19.50				2,260.43
35-01	Various General Improvements	64,192.12						64,192.12
02-20	Station and Acquisition of Equipment							
	Stations and Acquisition of Equipment	4,571.23						4,571.23
04-27/05-32	Various General Improvements	18,790.92			1,179.00			17,611.92
06-11/15-07	Road and Parking Improvements	10,516.76			7,082.29			3,434.47
07-13/08-22	Various Improvements to Waste Water Treatment System	784,794.22			171,880.05			612,914.17
08-26	Various General Improvements	78,572.79			149,559.96		7,938.90	(63,048.27)
10-04	Various Road Improvements	(24,527.54)			279,969.52			(304,497.06)
16-11	Acquisition of Various Fire Department Equipment	3,435.63			3,394.13			41.50
17-11	Various Improvements to Train Station	19,510.00			10,523.00			8,987.00
18-11	Tax Appeal Refunding Bond Ordinance							
09-12	Various Capital Improvements and Equipment				6,486.00		31,100.72	31,100.72
12-010	Various Capital Improvements and Equipment				99,891.68		57,000.00	50,514.00
22-87/1-88	Construction of Firehouse						1,608,874.00	1,508,982.32
	Bond Anticipation Notes	(59.27)		59.27				
				2,081,600.00	1,167,000.00	1,148,000.00	233,400.00	
		\$ 105,958.50		\$ 3,440,422.73	\$ 2,527,511.36	\$ 2,253,290.83	\$ 2,253,290.83	\$ 1,018,869.87
		C		C-2	C-2	Contra	Contra	C
	Reference							

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

DUE CURRENT FUND

C-4

	<u>Ref.</u>		
Balance December 31, 2011	C		\$ 894,302.30
Increased by:			
Cash Disbursements	C-2	\$ 532,594.64	
Bond Anticipation Notes	C-6	233,400.00	
Overexpenditure of Improvement Authorizations	C-8	<u>7,938.90</u>	
			<u>773,933.54</u>
			1,668,235.84
Decreased by:			
Fund Balance	C-1	81,700.77	
Cash Receipt	C-2	1,263,618.96	
Reserve for Infrastructure Improvement	C-15	25,000.00	
Reserve for Debt Service	C-16	<u>208,276.44</u>	
			<u>1,578,596.17</u>
Balance December 31, 2012	C		<u>\$ 89,639.67</u>

DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

C-5

	<u>Ref.</u>		
Balance December 31, 2011	C		\$ 16,342,896.32
Decreased by:			
2012 Budget Appropriation to Pay Bonds	C-10	\$ 625,000.00	
2012 Budget Appropriation to Pay Loan	C-11	<u>419,300.90</u>	
			<u>1,044,300.90</u>
Balance December 31, 2012	C		<u>\$ 15,298,595.42</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

C-6

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Budget Appropriation	Bond Anticipation Notes	Balance Dec. 31, 2012	Bond Anticipation Notes	Analysis of Balance	
								Expenditures	Unexpended Improvement Authorization
22-87/1-88	Construction of Firehouse	\$ 59.27	\$	\$ 59.27	\$	\$ 13,250.00	\$	\$	\$ 13,250.00
43-99	Various Library Improvement	13,250.00							
45-99	Construction and Improvement to Parking Area	125.00		125.00					
16-00	Various Capital Improvements	19.50		19.50					
08-26	Various Capital Improvements	63,048.27				63,048.27		63,048.27	
10-04	Various Capital Improvements	403,750.00				403,750.00		304,497.06	99,252.94
18-11	Tax Refunding Bonds	1,167,000.00	1,148,000.00		233,400.00	933,600.00	933,600.00		
12-1	Various Capital Improvements					1,148,000.00	1,148,000.00		
		<u>\$1,647,252.04</u>	<u>\$1,148,000.00</u>	<u>\$ 203.77</u>	<u>\$233,400.00</u>	<u>\$ 2,561,648.27</u>	<u>\$ 2,081,600.00</u>	<u>\$367,545.33</u>	<u>\$ 112,502.94</u>
	Reference	C	C-8	C-2	C-4	C	C-12	C-3	Below
								Ref.	
								C-8	\$ 1,291,603.66
								C-3	1,179,100.72
								Above	\$ 112,502.94

Unexpended Improvement Authorizations - Unfunded
Less: Unexpended Proceeds of Bond Anticipation
Notes Issued - Ordinance #18-11 and #12-1

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

CAPITAL IMPROVEMENT FUND

C-7

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 231,161.80
Increased by:		
2012 Appropriations	C-2	<u>95,000.00</u>
		326,161.80
Decreased by:		
Improvement Authorizations	C-8	<u>117,874.00</u>
Balance December 31, 2012	C	<u><u>\$ 208,287.80</u></u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

STATE AID RECEIVABLE

C-9

	<u>Ref.</u>	
Balance December 31, 2011	C	\$118,750.00
Increased by:		
Award	C-8	<u>400,000.00</u>
Balance December 31, 2012	C	<u>\$518,750.00</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-10

SERIAL BONDS PAYABLE

Purpose	Original Issue		Loan Maturities Outstanding Dec. 31, 2012		Interest Rate	Balance Dec. 31, 2011	Decrease	Balance Dec. 31, 2012
	Date	Amount	Date	Amount				
General Improvement Bonds	10/1/2003	\$ 4,000,000.00	10/1/2013	\$ 300,000.00	3.500%			
			10/1/2014	300,000.00	3.600%			
			10/1/2015	300,000.00	3.700%			
			10/1/2016	300,000.00	3.800%			
			10/1/2017	305,000.00	3.900%			
			10/1/2018	305,000.00	4.000%	\$ 2,110,000.00	\$ 300,000.00	\$ 1,810,000.00
General Improvement Bonds			12/1/2013	400,000.00	2.000%			
			12/1/2014	430,000.00	2.000%			
			12/1/2015	435,000.00	2.250%			
			12/1/2016	455,000.00	2.250%			
			12/1/2017	460,000.00	2.500%			
			12/1/2018	460,000.00	2.750%			
			12/1/2019	460,000.00	3.000%			
			12/1/2020	460,000.00	3.125%			
			12/01/21-22	460,000.00	3.250%			
			12/1/2023	460,000.00	3.500%			
			12/1/2024	460,000.00	3.625%			
			12/1/2025	460,000.00	3.750%			
		12/1/2026	460,000.00	4.000%				
		12/1/2027	454,000.00	4.000%	7,099,000.00	325,000.00	6,774,000.00	
					<u>\$ 9,209,000.00</u>	<u>\$ 625,000.00</u>	<u>\$ 8,584,000.00</u>	

Reference

C

C-5

C

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #1

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

<u>Purpose</u>	<u>Original Issue</u>		<u>Loan Maturities Outstanding</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2012</u>
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>				
New Jersey Environmental Infrastructure Loan	10/15/2001	\$ 980,000.00	8/1/2013	\$ 50,000.00	5.500%	\$ 630,000.00	\$ 50,000.00	\$ 580,000.00
			8/1/2014	55,000.00	5.000%			
			08/01/2015-2016	60,000.00	5.000%			
			08/01/2017-2018	65,000.00	5.000%			
			8/1/2019	70,000.00	5.000%			
			8/1/2020	75,000.00	4.750%			
		8/1/2021	80,000.00	4.750%				
New Jersey Environmental Infrastructure Loan	10/15/2001	1,000,000.00	8/1/2013	50,990.88		\$ 526,194.63	52,768.96	473,425.67
			8/1/2014	52,445.68				
			8/1/2015	53,900.48				
			8/1/2016	51,960.74				
			8/1/2017	53,253.90				
			8/1/2018	51,152.52				
		8/1/2019	52,284.03					
		8/1/2020	53,253.91					
		8/1/2021	54,183.53					

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #2

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

Purpose	Original Issue		Loan Maturities Outstanding		Interest Rate	Balance Dec. 31, 2011	Decrease	Balance Dec. 31, 2012
	Date	Amount	Date	Amount				
New Jersey Environmental Infrastructure Loan	11/4/2004	\$ 290,000.00	08/01/2013	\$ 15,000.00	5.000%			
			08/01/2014-2016	15,000.00	4.000%			
			08/1/2017-2018	15,000.00	5.000%			
			08/01/2019-2022	20,000.00	5.000%			
			8/1/2023	20,000.00	4.250%			
			8/1/2024	25,000.00	4.375%	\$ 230,000.00	\$ 15,000.00	\$ 215,000.00
New Jersey Environmental Infrastructure Loan	11/4/2004	284,120.00	8/1/2013	16,076.10				
			8/1/2014	15,593.70				
			8/1/2015	15,207.78				
			8/1/2016	14,821.85				
			8/1/2017	14,435.93				
			8/1/2018	13,953.53				
			8/1/2019	16,687.27				
			8/1/2020	16,043.84				
			8/1/2021	15,400.74				
			8/1/2022	14,757.54				
		8/1/2023	14,114.32					
		8/1/2024	16,783.69			200,434.90	16,558.51	183,876.39

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #3

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

Purpose	Original Issue		Loan Maturities Outstanding		Interest Rate	Balance Dec. 31, 2011	Decrease	Balance Dec. 31, 2012
	Date	Amount	Date	Amount				
New Jersey Environmental Infrastructure Loan	11/8/2007	\$ 2,190,000.00	8/1/2013	\$ 95,000.00	3.500%			
			8/1/2014	95,000.00	3.600%			
			8/1/2015	100,000.00	5.000%			
			8/1/2016	105,000.00	5.000%			
			8/1/2017	110,000.00	5.000%			
			8/1/2018	115,000.00	5.000%			
			8/1/2019	120,000.00	4.000%			
			8/1/2020	125,000.00	4.000%			
			8/1/2021	130,000.00	5.000%			
			8/1/2022	140,000.00	5.000%			
			8/1/2023	145,000.00	4.250%			
			8/1/2024	150,000.00	4.500%			
			8/1/2025	160,000.00	4.500%			
		8/1/2026	165,000.00	4.500%				
		8/1/2027	175,000.00	4.250%				
						\$ 2,020,000.00	\$ 90,000.00	\$ 1,930,000.00
New Jersey Environmental Infrastructure Loan	11/8/2007	2,030,000.00	8/1/2013	113,742.22				
			8/1/2014	111,658.75				
			8/1/2015	112,648.79				
			8/1/2016	112,648.79				
			8/1/2017	112,492.14				
			8/1/2018	112,178.84				
			8/1/2019	111,708.87				
			8/1/2020	111,834.20				
			8/1/2021	111,834.19				
			8/1/2022	114,027.33				
			8/1/2023	112,774.12				
			8/1/2024	112,045.67				
			8/1/2025	114,082.16				
		8/1/2026	112,703.62					
		8/1/2027	114,317.33					
						1,803,223.62	112,526.60	1,690,697.02

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-11
Sheet #4

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

Purpose	Original Issue		Loan Maturities Outstanding		Interest Rate	Balance Dec. 31, 2011	Decrease	Balance Dec. 31, 2012
	Date	Amount	Date	Amount				
New Jersey Environmental Infrastructure Loan	12/2/2009	\$ 905,000.00	08/01/2013-15	\$ 35,000.00	5.000%			
			08/01/2016-17	40,000.00	5.000%			
			8/1/2018	45,000.00	5.000%			
			08/01/2019-20	45,000.00	4.000%			
			8/1/2021	50,000.00	4.000%			
			8/1/2022	50,000.00	3.500%			
			08/01/2023-24	55,000.00	4.000%			
			8/1/2025	55,000.00	3.750%			
			08/01/2026-27	60,000.00	4.000%			
			08/01/2028-29	65,000.00	4.000%		\$ 870,000.00	\$ 35,000.00
New Jersey Environmental Infrastructure Loan	12/2/2009	901,450.00	8/1/2013	47,446.83				
			8/1/2014	47,446.83				
			8/1/2015	47,446.83				
			8/1/2016	47,446.83				
			8/1/2017	47,446.83				
			8/1/2018	47,446.83				
			8/1/2019	47,446.83				
			8/1/2020	47,446.83				
			8/1/2021	47,446.83				
			8/1/2022	47,446.83				
		8/1/2023	47,446.83					
		8/1/2024	47,446.83					
		8/1/2025	47,446.83					
		8/1/2026	47,446.83					
		8/1/2027	47,446.83					
		8/1/2028	47,446.83					
		8/1/2029	47,446.83					
						854,043.17	47,446.83	806,596.34
						\$ 7,133,896.32	\$ 419,300.90	\$ 6,714,595.42

Reference

C

C-5

C

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-12

BOND ANTICIPATION NOTES

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Increased By</u>	<u>Decreased By</u>	<u>Balance Dec. 31, 2012</u>
12-10	Various Capital Improvements Tax Refunding Bond	10/10/2012	10/10/2012	10/10/2013	0.940%	\$ 1,148,000.00	\$ 1,148,000.00	\$	\$ 1,148,000.00
18-11		10/18/2011	10/18/2011	10/10/2013	1.500%	1,167,000.00	933,600.00	1,167,000.00	933,600.00
						<u>\$ 1,167,000.00</u>	<u>\$ 2,081,600.00</u>	<u>\$ 1,167,000.00</u>	<u>\$ 2,081,600.00</u>
					<u>Reference</u>	<u>C</u>	<u>C-2</u>	<u>C-2</u>	<u>C</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

RESERVE FOR SENIOR CITIZENS' BUS

C-13

	<u>Ref.</u>	
Balance December 31, 2011	C	<u>\$ 8,500.00</u>
Balance December 31, 2012	C	<u>\$ 8,500.00</u>

INFRASTRUCTURE LOAN RECEIVABLE

C-14

	<u>Ref.</u>	
Balance December 31, 2011	C	<u>\$ 563,402.52</u>
Balance December 31, 2012	C	<u>\$ 563,402.52</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

RESERVE FOR INFRASTRUCTURE IMPROVEMENT

C-15

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 25,000.00
Decreased by:		
Reserve for Infrastructure Improvement	C-4	<u>25,000.00</u>
		<u>\$ -</u>

RESERVE FOR DEBT SERVICE

C-16

	<u>Ref.</u>	
Balance December 31, 2011	C	\$ 208,276.44
Decreased by:		
Reserve for Debt Service	C-4	<u>208,276.44</u>
		<u>\$ -</u>

TOWNSHIP OF BERKELEY HEIGHTS
GENERAL CAPITAL FUND

C-17

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Improvement Description</u>	<u>Ordinance Number</u>	<u>Balance Dec. 31, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Dec. 31, 2012</u>
Construction of Firehouse	1-88	\$ 59.27	\$	\$ 59.27	\$ 13,250.00
Various Library Improvements	43-99	13,250.00			
Construction and Improvements to Parking Area	46-99	125.00		125.00	
Various Capital Improvements	00-16	19.50		19.50	
Various Capital Improvements	08-26	63,048.27			63,048.27
Various Capital Improvements	04-10	403,750.00			403,750.00
Various Capital Improvements	12-1		1,148,000.00	1,148,000.00	
		<u>\$480,252.04</u>	<u>\$1,148,000.00</u>	<u>\$1,148,203.77</u>	<u>\$480,048.27</u>
<u>Reference</u>		<u>C</u>	<u>C-6</u>	<u>C-6.12</u>	<u>C</u>

PART II
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
ROSTER OF OFFICIALS
COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2012

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-4543
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Township Council
Township of Berkeley Heights
Berkeley Heights, New Jersey 07922

We have audited the financial statements - regulatory basis of the various funds of the Township of Berkeley Heights, in the County of Union, as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated June 7, 2013. These financial statements have been prepared in conformity with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management in the comments and recommendations section of this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS


JOSEPH J. FACCONI, PA, RMA

Newark, New Jersey
June 7, 2013

**ROSTER OF OFFICIALS FOR THE YEAR 2012
AND REPORT ON SURETY BONDS**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Joseph Bruno	Mayor	\$ *
Kevin Hall	President of the Council	*
Craig Pastore	Council Vice President	*
Jeanne Kingsley	Councilwoman	*
Robert Woodruff	Councilman	*
Edward Delia	Councilman	*
Thomas Pirone	Councilman	*
Joseph Sordillo	Attorney	*
Robert Bocchino	Engineer	*
Robin Greenwald	Construction Code Official	*
Donald Bogosian	Municipal Court Judge	**
Joann Musorofiti	Court Administrator	**
August Santore, Jr.	Public Defender	*
Michael Mathis	Police Chief	*
Michael Mitzner	Municipal Prosecutor	*
Anthony Padovano	Fire Chief	*
Thomas Barton	Recreation Director	*
Michel Marceau as of June 27, 2012	Chief Financial Officer	200,000.00
Rachele San Filippo	Tax Collector	200,000.00
Robert Edgar	Tax Assessor	***
Amey Upchurch	Township Administrator	*
Ana Minkoff	Township Clerk	*
Virginia Nesbitt	Payroll Clerk/Assistant Treasurer	***

All of the bonds were examined and were properly executed.

*Covered by \$1,000,000.00 Blanket Position Bond - Government Crime Policy by Statewide Insurance Fund of the Fidelity and Deposit Company of Maryland.

**Covered by \$50,000.00 Faithful Performance Blanket Position Bond of Western Surety Company.

***Each covered by \$2,000,000.00 Bond by Western Surety Company.

Contracts and Agreements Required to be Advertised for (N.J.S. 40A:11-4)

N.J.S.A. 40A:11-4a states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

It is pointed out that the Township Council has the responsibility of determining whether the expenditures in any category will exceed the threshold set for the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Township Attorney should be sought before a commitment is made.

The statutory bidding threshold for the year 2012 was the sum of \$17,500.00 effective July 1, 2010.

Notwithstanding N.J.S.A. 40:11-3a, P.L. 2005, Chapter 51 and N.J.S.A. 19:44A-20.5 known as the "Pay to Play Law" provides that a municipality is prohibited from executing any contract in excess of \$17,500.00, on or after January 1, 2006, to a business entity that made certain reportable contributions to any municipal committee of a political party if a member of that party is in office as a member of the governing body of the municipality when the contract is awarded unless proposals or qualifications are solicited through a fair and open process.

The minutes indicate that bids were requested by public advertising.

Inasmuch as the system of records did not provide for an accumulation of payments for categories of materials and supplies or related work or labor, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The minutes indicate that proposals were solicited for "Professional Services" in accordance with N.J.S.A. 19:44:20.5.

It is also noted that certain contracts were awarded under the provisions of N.J.S.A. 40A:11-12, New Jersey State purchasing contracts.

Purchases, Contracts or Agreements Not Required to be Advertised (N.J.S. 40A:11-6.1)

N.J.S. 40A:11-6.1 states "Except contracts which require the performance of professional services, all contracts or agreements which do not require public advertising for bids and the estimated cost or price exceeds \$2,625.00, at least two quotations as to the cost of price are required. Quotations, whenever practicable, shall be solicited by the contracting agent, and the contract or agreement shall be made with and awarded to the lowest responsible bidder." The Township has adopted a policy of requesting quotes for all expenditures in excess of \$2,500.00.

Collection of Interest on Delinquent Taxes

N.J.S. 54:4-67, as amended, provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Council of the Township of Berkeley Heights that the interest rate on delinquent taxes be fixed as follows:

- 8% per annum up to \$1,500.00 delinquency
- 18% per annum over \$1,500.00 delinquency
- 6% additional penalty for a delinquency over \$10,000.00 if not paid prior to the end of the calendar year

Any taxes not paid when due shall be called delinquent taxes ten days after due date.

Tests of the Tax Collector's records indicate that interest was collected in accordance with the provisions of the foregoing resolution.

The last tax sale was held on October 10, 2012 and was complete.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made consisting of 162 verification notices summarized as follows:

	<u>Number of Items</u>
Payment of 2011 and 2012 Taxes	65
Delinquent Taxes	<u>97</u>
	<u>162</u>

Returned verifications were examined for discrepancies. Where minor exceptions are noted, an additional request for more detail has been issued. Any additional verifications returned will be examined and a separate report issued on any material deficiencies.

Payroll Account

The propriety of deductions from employee salaries for pensions, Social Security, withholding tax and other purposes from employee payrolls were not verified as part of this audit. Remittances of deductions and withholdings to authorized agencies, however, were ascertained.

Capital Fixed Assets

The Division of Local Government Services in the Department of Community Affairs of the State of New Jersey requires all municipalities in the State to establish and maintain sets of accounts and inventories reflecting costs of other valuations of all of its fixed assets, including land, buildings, improvements, machinery, furniture and equipment. Such accounts, to be included under "Capital Fixed Assets", would insure complete fiscal reliability of records, establish a basis for claims of losses and other insurance purposes, augment protective measures against the misuse or theft of property and furnish data on aging, anticipated life and other information on assets. Failure to maintain fixed asset records could jeopardize the Township's eligibility for future Federal and State Grants.

General

Finding #2012-1:

Condition:

Turnover sheets were not provided for the months of January through August. The Township hired a new Chief Financial Officer during 2012 at which time a standardized turnover sheet policy was enforced. There were no exceptions since the enforcement of this policy. This condition was noted in the following Departments:

Animal Control
Fire Prevention

Criteria:

Turnover sheets should be maintained for revenue turned over to the Department of Finance.

Finding #2012-2:

Condition:

We noted that receipts were not remitted within 48 hours as required by N.J.S.A. 40A:5-15. This condition was noted in the following Departments:

Health
Recreation
Police

Criteria:

Revenue collected should be turned over within 48 hours of receipt.

Recommendation:

That revenue collected should be turned over within 48 hours of receipt of funds in accordance with the provisions of N.J.S.A. 40A:5-15.

Police

Finding #2012-3:

Condition:

We were unable to reconcile revenues collected to the records maintained by the Department of Finance.

Criteria:

Revenues collected should reconcile to the records of the Department of Finance.

Recommendation:

That revenues collected be reconciled to the records of the Department of Finance on a monthly basis.

Fire Prevention

Fire Prevention

Finding #2012-4:

Condition:

We noted that prenumbered receipts were not issued for all revenue collected.

Criteria:

All receipts should be recorded in the prenumbered receipt books.

Recommendation:

That all prenumbered receipts be issued for all revenue collected.

Health Department

Finding #2012-5:

Condition:

The receipt book did not contain an entry for every transaction.

Criteria:

The cash receipt book should contain an entry for every transaction.

Recommendation:

That all revenue collected be entered into the cash receipts book.

Recreation

New Employee Testing

Finding #2012-6:

Condition:

Seven (7) out of the fifteen (15) I-9's reviewed were not properly completed.

Criteria:

I-9's be reviewed for accuracy and completeness.

Recommendation:

That I-9's should be completed and reviewed for accuracy.

Voucher Test

Finding #2012-7:

Condition:

One (1) voucher was not available for review and was not returned by the vendor.

Criteria:

Each voucher should have a filed copy which has all the necessary signatures, and payment held until a properly completed voucher is on file.

Recommendation:

That all vouchers be available for review.

RECOMMENDATIONS

Municipal Clerk/Fire Prevention

That all prenumbered receipts be issued for all revenue collected.

Health Department

That revenue collected should be turned over within 48 hours of receipt of funds in accordance with the provisions of N.J.S.A. 40A:5-15.

That all revenue collected be entered into the cash receipts book.

Recreation

That revenue collected should be turned over within 48 hours of receipt of funds in accordance with the provisions of N.J.S.A. 40A:5-15.

That I-9's should be completed and reviewed for accuracy.

Police Department

That revenues collected be reconciled to the records of the Department of Finance on a monthly basis.

Voucher Testing

That all vouchers be available for review.

The foregoing comments and resulting recommendations are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

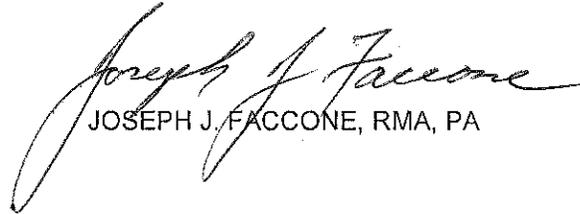
We shall be pleased to confer on any questions that might arise with respect to any matters in this report.

We desire to express our appreciation for the assistance and courtesies rendered by the Township officials and employees during the course of the examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "Samuel Klein and Company".

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

A handwritten signature in cursive script that reads "Joseph J. Faccione".

JOSEPH J. FACCONI, RMA, PA

Newark, New Jersey
June 7, 2013

